
NALEDI LOCAL MUNICIPALITY



ANNUAL REPORT FOR 2016/17
FINANCIAL YEAR

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CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD

The vision of Naledi Local Municipality as contained in the 2016/2017 IDP is "...to establish Naledi as an integrated regional economic node that is focused on intelligent support for business and community development embedded in a sustainable green environment". This vision as captured aims to attain the aspirations of a developmental state operating within a progressive local government system; which explores optimal utilisation of resources while also being mindful of future generation.

The Naledi Local Municipality Council adopted the IDP and the Budget on May 2016 and subsequently adopted the 2016/2017 SDBIP on June 2016, these serving as guiding tools for Council to fulfil its Constitutional Mandate of delivering services to the poor. The guiding tools would at the same time serve as catalyst to monitor and evaluate the priorities and objectives as set out in the IDP, thereby implementing the 2016/2017 IDP and Budget.

I must out rightly indicate that the 2016/2017 financial year was one filled with challenges, which required a shift in character to overcome the shortcomings we were/are facing as a municipality. Amongst a few things that we have learned is the enormous creditor's book with Eskom being at the helm at an amount of R236m, which ultimately led to PAJA implementation by the State Utility Company. As if the latter was not enough we also realised that our debtor's book was overstated by an amount of R22m owed mainly to dormant accounts. The Kagiso Trust has since been appointed by the Provincial Government to assist Naledi in cleansing its Debtor's Book which will subsequently help in realising the realistic amounts of money owed to the Municipality by Business and Communities.

To a greater extent we have delivered services to the Communities of Naledi, despite the cumbersome strides of interruption of services due to inconsistencies in the supply of bulk water, which is directly proportional to sewer line blockages, posing rippling effects such as pipeline bursts and overflowing sewer. We have built access roads, community halls and the Stella Municipal Offices which also accommodates a Fire and Disaster Management Centre; operational services such as refuse collection, cemetery provision and general maintenance of infrastructure are being provided.

Unemployment continues to be challenge in our municipal area as it is in other parts of the country, the 2011 Census Data indicate that Naledi's Dependency Ratio is at 56,2% and as a municipality we ought to create an environment that is conducive to business so that we can boast the Local Economic Development of the area. Job Opportunities have also been created through labour intensive projects such as the construction of the Naledi Waste Water Treatment Works and other infrastructure development projects within the municipal area.

We have had an enormous task of reducing the workforce of our municipality, with specific reference to EPWP Contract Workers, Capital Workers and Interns as these contracts were creating a massive strain on the Municipality Operational Budget. We have since the beginning of 2016/2017 managed reduce the number of contract workers by an estimated 25%.

Key Service Delivery Improvements

Water:

- Refurbished all boreholes
- Exchanged 1 352 water meters
- Automated boreholes in Stella
- In process of automation of Vryburg boreholes

- Implementing a water conservation and demand management system
- Replaced 2 leaking reservoirs

Sanitation:

- Refurbished Eastern sewer pump station
- Refurbished sludge drying beds
- Replaced faulty main lines
- Constructed new man-holes
- In process of constructing new WWTP
- Managed to maintain effluent standard according to norm

Roads:

- Maintained roads
- Patched potholes
- Maintained storm water channels
- Maintained sidewalks

Electricity:

- Maintained electrical network
- Provided new electrical meters
- Completed new substation
- Assisted consumers with complaints

Town Planning/ Housing:

- In process of township establishment in Rekgarathlile
- Providing building control services
- Enforcing legislation

Project Management Unit:

- Completed 3 Roads Projects and 1 Community Hall.
- Received R25 Million additional to be used at Broedersput Projects
- 100% Expenditure
- Register the Projects on the MIG-MIS System

Public Participation:

The Naledi Local Municipality consists of 20 Councillors of which ten have been elected in wards and the other ten through the proportional representation system. The African National Congress holds a majority of 13 elected representatives while 7 councillors form part of the official opposition, 5 represents the Democratic Alliance and 2 represents the Economic Freedom Fighters.

Cllr N.W Skalk (ANC) serves as Mayor of Naledi and also chairs the multi-party executive committee. The Speaker, Cllr C Groep (ANC) is the Chair of Council.

The Mayor of the municipality, Councilor N.W Skalk engages the community in all wards of Naledi through Mayoral Roadshows as part of the IDP Process in which Councilors of the respective wards are also present. The Ward Councilors are also required to have monthly Ward meetings within their Wards and to also keep the community updated on activities of the municipality through their Ward Committee Members.

Future Actions:

The municipality strives to continue providing the community of Naledi with quality and sustainable services during the remaining years of the current term of Council. We have noted with great concern the need for employment amongst our people and will continue to lay a foundation and build an environment conducive for business, in which agriculture and other opportunities will thrive.

The Eskom Debt, through a collective approach, will be addressed by the strategies developed by the municipality and Public Private Partnerships to ensure sustainable energy provision.

The 2017/2018 financial year is a year of accelerated service delivery and commitment from the Council and Staff of Naledi Local Municipality.

Agreements/ Partnerships:

The Council of Naledi is open to enter into partnerships and agreements that seek to bring improvement in our Municipal Area, however all of these will be subjected to legal processes and will have to undergo public participation processes.

Conclusion:

The Department of Cooperative Governance and Traditional Affairs introduced the 'back-to-basics' approach and it is with great pleasure that Naledi Local Municipality has been consistent in terms of timeous reporting to the Department. The reporting has to however not only be a compliance issue, it should be progress registered through tangible results on the ground.

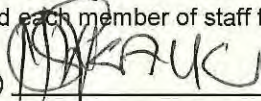
It is with pleasure that I present the Annual Report of the Naledi Local Municipality for the 2016/17 financial year to Council, to our community and to all our Stakeholders.

This report reflects the state of affairs for the period July 2015 to June 2016. Despite the challenges there is an effort towards better performance as we build on the legacy of democratic local governance.

Building on the progress made in 2015/16 we will continue with our efforts to achieve our objectives in terms of service delivery, compliance with legislation and achieving a clean audit.

I want to express my sincere appreciation to our councillors, the community of Naledi, the Municipal Manager and each member of staff for their contribution and support during the past year.

(Signed by :)



Cllr. Neo Willem Skalk

Mayor

31 August 2017

COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

The 2016/2017 financial year marked the beginning and ending of the term of the previous Council and that of the new Council, respectively. This period also came with the contract of the previous Municipal Manager coming to an end; and that of the Executive Manager: Technical Services being vacant as the incumbent relieved himself from his duties; and subsequent to that; the Chief Financial Officer was also placed on suspension pending a disciplinary process.

The above obviously came with challenges and some uncertainty amongst employees and the community at large. However the past 12 months a lot of work has been done in a bid to restore public confidence through the provision of services in a transparent, fair and equitable manner. We have managed to enter into negotiations with Eskom in settling our debt, the municipality is also finalising a Revenue Enhancement Strategy that will look into Debt Recovery and Exploring of New Revenue Streams.

This municipality experienced serious financial pressures during the financial year due to the high Eskom account and a workforce that is heavy on the Municipality Operational Budget. However, we have ensured that we put in place austerity measures on non-essential items and making sure that the Municipality's funds are geared towards the main business of the municipality which is service delivery. Our Financial Information was also in a quagmire and we have reconciled all our information and have also started normalising the situation through the utilisation of SAMRAS.

In the past financial year the IDP was consolidated to prepare for the last year before local government elections. This means that no major changes were made in the last review and that the next cycle will follow a comprehensive process again to prepare a new five year plan. This 2016/17 IDP therefore sets out to a large degree to attain the aspiration of Council of the 2012-2017 period and to also work on highlighted focus points and interventions.

The major element corrected, as required by the Auditor General, is to highlight the corporate objectives contained in the SDBIP so that the strategic alignment is clear.

The IDP defines the priorities for the municipality's delivery programmes over the short to medium term and determines the direction for developmental initiatives in the period ahead. It also translates the Municipality's long term vision into implementable programmes for a specific period of time.

The MFMA Circular 82 on Cost Containment has assisted greatly in curtailing the costs incurred by the municipality in the previous financial years. The budget has been structured to focus more on addressing essential services and service delivery improvements.

We rely on a credible Internal Audit and Risk Management Shared Service offered by the Dr. Ruth S. Mompoti District Municipality which tables our reports after very assessment to Council following recommendations of the Audit Committee. The municipality has been able to focus on its top 10 risks and have also been able to improve internal controls through the assistance of both the Risk Management Unit and Internal Audit Unit respectively.

Conclusion:

The Annual Performance Report is hereby submitted to the Naledi Municipal Council in terms of the Municipal Systems Act (MSA), 32 of 2000, section 46(1) and (2), as well as the MFMA Circular on annual reporting. This report covers the performance information from 01 July 2016 to 30 June 2017 and focuses on the implementation of the Service Delivery Budget and Implementation Plan (SDBIP), in relation to the objectives as encapsulated in the Municipality's Integrated Development and Plan (IDP).

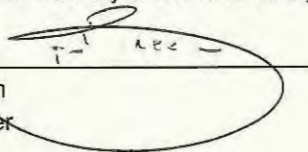
This Report reflects actual performance of the Municipality as measured against the performance indicators and targets in its Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) for 2016/2017.

This report will also seeks to report to Council the Municipality's performance in terms of the five (5) National Government's Strategic key Performance Areas for local government, which are (1) Basic Service Delivery; (2) Local Economic Development; (3) Municipal Institutional Transformation and Development; (4) Municipal Financial Viability and Management and (5) Good Governance and Public Participation.

Management is greatly concerned about the cash flow problems at Naledi Local Municipality and as a result many of our community needs could not be included in our plans due to the financial situation. Attention is however focused on the latter and cost containment measures and income generating strategies are being employed where possible.

Gratitude is extended to the Mayor of Naledi, the executive and the councillors for their strategic direction and support. A special word of appreciation also goes to the Dr Ruth S Mompoti District Municipality and the ~~Bokone~~ Bophirima Department of Local Government and Traditional Affairs. I also want to extend my heartfelt gratitude to the dedicated staff members of the municipality who ensure the effective day-to-day running of our activities. Through our collective effort we are steadily improving the quality of service delivery to the community of the Naledi Local Municipality.

(Signed by :)
Mr. Tshepo Bloom
Municipal Manager
31 August 2017



1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

MUNICIPAL FUNCTIONS

The following table outlines the powers and functions of Naledi Local Municipality against the District Municipality

FUNCTIONS PERFORMED	District	Naledi
Governance and Administration	Yes	Yes
Water Services	Yes	Yes
Municipality is water services authority	Yes	No
Municipality is water services provider	No	Yes
Electricity and Gas Reticulation	No	Yes
Electricity	No	Yes
Street lighting	No	Yes
Municipal Transport	Yes	Yes
Municipal public transport	Yes	Yes
Municipal airports	No	Yes
Waste Management	Yes	Yes
Refuse removal	No	Yes
Refuse dumps/solid waste disposal	No	Yes
Cleansing	No	Yes
Roads and Storm water Systems	Yes	Yes
Municipal roads	No	Yes
Storm water systems in built-up areas	Yes	Yes
Municipality performs the 'District' roads function	Yes	No
Community and Social Services	No	Yes
Local amenities: Regulation & facilitation	No	Yes
Local amenities: Service provision	No	Yes
Local sports facilities: Regulation & facilitation	No	Yes
Local sports facilities: Service provision	No	Yes
Municipal parks and recreation: Regulation & facilitation	No	Yes
Municipal parks and recreation: Service provision	No	Yes

FUNCTIONS PERFORMED	District	Naledi
Public places: Regulation & facilitation	No	Yes
Public places: Service provision	No	Yes
Child care facilities: Regulation & facilitation	No	Yes
Child care facilities: Service provision	No	No
Cemeteries, funeral parlours and crematoria: Regulation & facilitation	No	Yes
Cemeteries, funeral parlours and crematoria: Service provision	No	Yes
Libraries: Regulation & facilitation	No	No
Libraries: Service provision	No	Yes
Museums: Regulation & facilitation	No	No
Museums: Service provision	No	Yes
Planning and Development	Yes	Yes
Municipal planning	Yes	Yes
Building regulations	No	Yes
Land-use management	Yes	Yes
Property development (non-municipal property)	No	No
Emergency Services	Yes	Yes
Fire fighting: Authority	Yes	No
Fire fighting service provision	No	Yes
Rescue services	Yes	Yes
Disaster management	Yes	Yes
Municipal Health	Yes	Yes
Municipal health: Regulation & facilitation	Yes	No
Municipal health: Service provision	No	Yes
Licensing and control of undertakings that sell food to the public: Regulation	No	No
Licensing and control of undertakings that sell food to the public: Service provision	No	No
Noise pollution: Regulation & facilitation	No	No
Noise pollution: Service provision	No	No
Pounds: Regulation & facilitation	No	Yes
Pounds: Service provision	No	No
Accommodation, care and burial of animals: Regulation & facilitation	No	Yes

FUNCTIONS PERFORMED	District	Naledi
Accommodation, care and burial of animals: Service provision	No	No
Licensing of dogs: Regulation & facilitation	No	Yes
Licensing of dogs: Service provision	No	No
Primary Health Care	No	No
Primary Health Care	No	No
Environmental Management	Yes	Yes
Environmental planning	Yes	Yes
Bio-diversity management	Yes	Yes
Climate change interventions	No	Yes
Alternative energy planning	No	Yes
Air pollution	Yes	No
Economic Development	Yes	Yes
Local tourism: Regulation & facilitation	Yes	No
Local tourism: Service provision	No	No
Markets: Regulation & facilitation	No	No
Markets: Service provision	No	No
Abattoirs: Regulation & facilitation	No	No
Abattoirs: Service provision	No	No
Trading regulations: Regulation & facilitation	No	Yes
Trading regulations: Service provision	No	No
Street trading: Regulation & facilitation	No	Yes
Street trading: Service provision	No	No
Billboards and the display of advertisements in public places: Regulation & facilitation	No	Yes
Billboards and the display of advertisements in public places: Service provision	No	Na
Fences and fences: Regulation & facilitation	No	Yes
Fences and fences: Service provision	No	No
Control of undertakings that sell liquor to the public: Regulation & facilitation	No	Yes
Control of undertakings that sell liquor to the public: Service provision	No	No
Local economic development: Regulation & facilitation	Yes	Yes
Local economic development: Service provision	No	No

FUNCTIONS PERFORMED	District	Naledi
Housing	No	Yes
Housing facilitation (managing developers, housing lists etc)	No	Yes
Acting as developer of housing	No	Yes
Landlord (owning and managing housing stock)	No	Yes
Traffic and Policing	No	Yes
Traffic and municipal police	No	Yes
Community safety	No	No
Control of public nuisances	No	Yes
Driver licensing	No	Yes
Motor vehicle licensing	No	Yes

POPULATION AND ENVIRONMENTAL OVERVIEW

Introduction

This section contains an overview of the status quo of the internal and external environment of Naledi Local Municipality. The first part provides an overview of the municipality while the rest of the section consists of the analysis of the statistics of the municipality which includes demographics and socio economic trends.

The statistics used here are derived from the Community survey of 2016 and Census 2011, and own municipal data.

Municipal Overview

Naledi Local Municipality is a category B Municipality situated in the Dr Ruth Segomotsi Mompati District in the North West Province of South Africa. The Naledi Local Municipality is situated in the Dr Ruth S Mompati District of South Africa's North West Province. It covers an area of approximately 7 264 square kilometres with a total population of 68 803 – according to the Community Survey of 2016 by Statistics South Africa and is divided into 10 wards representing the interests of the communities of Vryburg, Kismet Park, Huhudi, Colridge, Dithakwaneng, Stella Devondale, Broedersput and the newly developed extension 25/28.

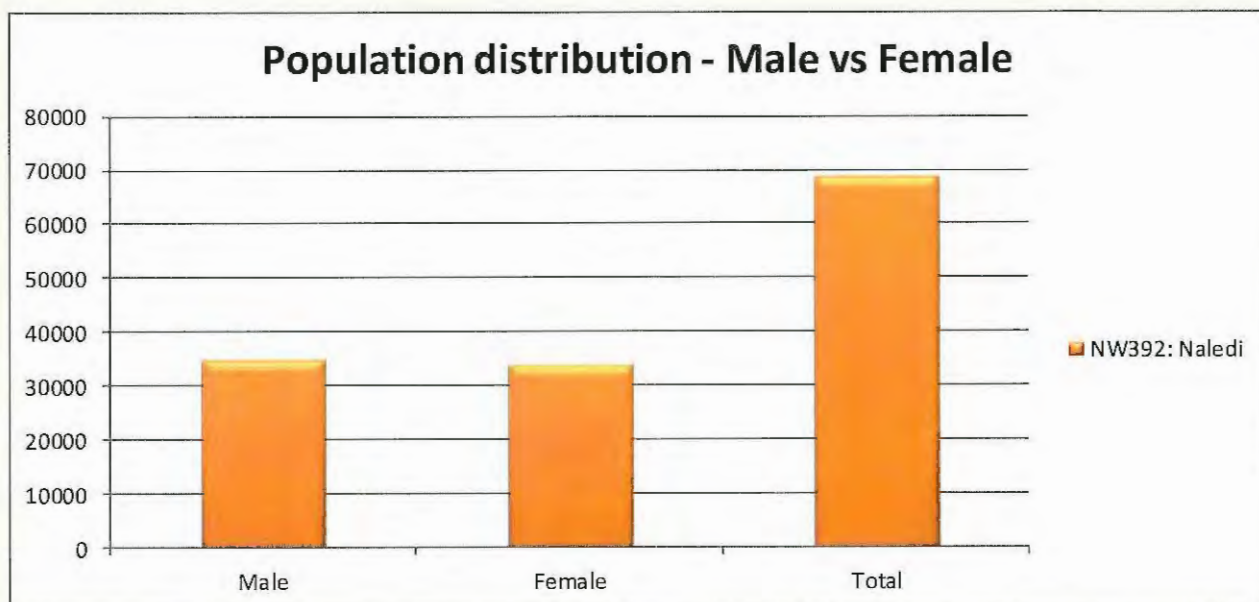
Demographics

The characteristics mentioned below include population information, household data and growth rates; gender and age profiles, education levels, income levels, employment figures and skills levels amongst the employed workforce.

This is strengthened by a fact file that reports on the economic characteristics of the national economy, regional and the local economies. The aim of this section is to identify the extent to which key drivers of the national economy have an impact on the local economy of Naledi. This will allow the municipality to align its funding requirements according to the various strategic objectives that will support future local economic development initiatives. The macro economic outlook also allows the municipality to focus on the key drivers that will impact on local growth and future employment opportunities.

Population and household facts

- The total population of the Naledi Municipal area was 68803 in 2016.
- The average growth rate of the population from **2011 to 2016** was 2.94%
- The total number of households in the Naledi Municipal Area was 20692 in 2016.
- The average growth rate of households from **2011 to 2016** was 10.24%
- Naledi's population gender is as follows: male 34771 female 34032

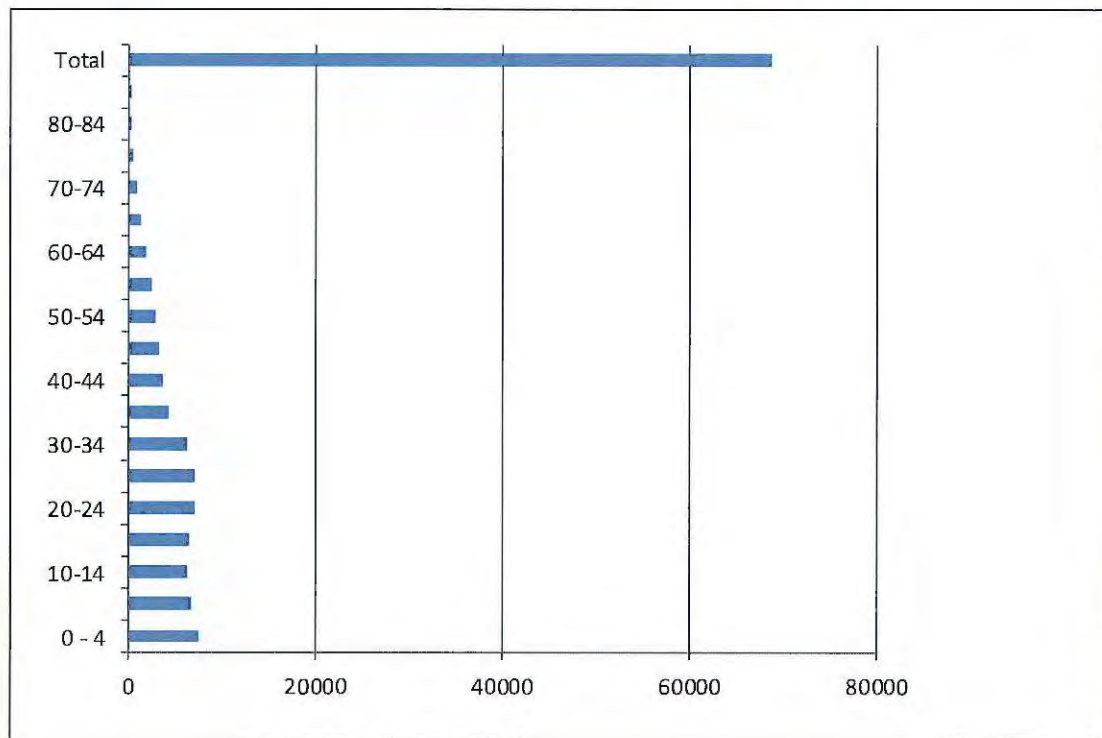


Population distribution of males and females against the total population.
 (Source: Community survey of 2016 by Statistics South Africa)

Population Race Groups against total population					
Population groups	Black African	Coloured	Indian/Asian	White	Total
Number	51726	8042	520	8515	68803

Population race groups against the total population
 (Source: Community survey of 2016 by Statistics South Africa)

AGE PROFILE



Population distribution by age group.

(Source: Community survey of 2016 by Statistics South Africa)

Education profile

Highest Level of Education against total population	
Type of Education	Number of people
Development Phase	11785
Primary	22052
Secondary	30631
FET-(N1-N6)	499
Tertiary Education	2836
Unspecified	1000
Total	68803

Highest Level of education against total population

(Source: Community survey of 2016 by Statistics South Africa)

Macro-economic and local economic development outlook

According to research and development, Naledi main macro-economic activities are that of agriculture and hunting which are the strongest contributors to the municipality's economy. Other important job creating sectors are finance and insurance, public administration, health and social and transport.

Naledi Local Municipality aims to tap into this industry through Local Economic objectives and strategies and is broadly explained under development strategies further in the document.

Employment Status	
Employment Status	Number of people
Employed	18201
Unemployed	6415
Discouraged work seeker	1780
Not economically active	16344
Not applicable	24040
Total	66781

Employment status against the total population

(Source: Census 2011 by Statistics South Africa)

Employment by Sector	
Sector	Number of people
Formal	10710
Informal	3508
Private Household	4041
Do not know	416
Not applicable	48106
Total	66781

Employment by sector against the total population
(Source: Census 2011 by Statistics South Africa)

1.3. SERVICE DELIVERY OVERVIEW

The following table summarises the service delivery overview in terms of Naledi Local Municipality

WATER	SANITATION	ROADS & SW	ELECTRICAL	TOWN PLANNING	PMU UNIT
ACTIVITIES					
Reticulation of water	Maintenance of network	Maintain roads	Maintain network	Spatial planning	Project Managing
Maintenance of network	Treatment of waste water	Maintain storm water channels	Reticulation of electricity	Building control	Payment Certificate
Water services provider	Unblocking of lines	Maintain sidewalks	Fault finding and repairs	Enforcement of legislation	Site Inspections
					Data Capture
ACHIEVEMENTS					
Refurbished all boreholes	Refurbished Eastern sewer pump station	Maintained roads	Maintained electrical network	In process of township establishment in Rekgarathlile	Completed 3 Roads Projects and 1 Community Hall.
Exchanged 3 505 water meters	Refurbished sludge drying beds	Patched potholes	Provided new electrical meters	Providing building control services	Received R25 Million additional to be used at Broedersput Projects
Automated boreholes in Stella	Replaced faulty main lines	Maintained storm water channels	Completed new substation	Enforcing legislation	100% Expenditure
In process of automation of Vryburg boreholes	Constructed new man-holes	Maintained sidewalks	Assisted consumers with complaints		Register the Projects on the MIG-MIS Sytem
Implementing a water conservation and demand management	In process of constructing new WWTP				

WATER	SANITATION	ROADS & SW	ELECTRICAL	TOWN PLANNING	PMU UNIT
system					
Improved delivery of bulk water by more than 19%	Managed to maintain effluent standard according to norm				
Replaced 2 leaking reservoirs					

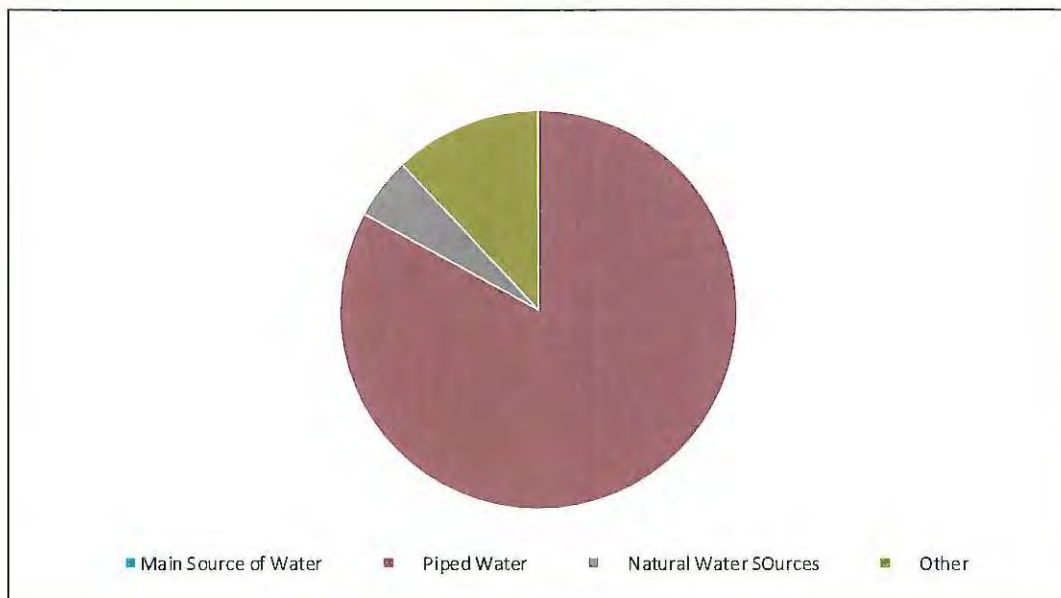
Infrastructure backlogs

SECTOR	BACKLOG CENSUS 2011	BACKLOG ERADICATED JUNE 2015	BACKLOG PLANNED TO BE ERADICATED IN 2015/16	BACKLOGS PLANNED TO BE ERADICATED IN 2016/17	BALANCE
WATER	2130	200	400	1000	2030
SANITATION	4395	200	738	1500	2957
REFUSE	4060	500	1500	800	3260
ELECTRICITY	3281	882	950	1400	2571
HOUSING	6608	1000	2300	950	2358
ROADS	157KM	3KM	4KM	9KM	141KM

Basic services

% of households – main source of drinking water

Of the 20692 households, majority of households main source of drinking water is from piped sources, with 5% using natural water sources and 12% using other sources



Main source of water against the total number of households
(Source: Community survey of 2016 by Statistics South Africa)

Electricity

Number of households with access to electricity by type	
Access to electricity	16612
Connected to other source which household is not paying for	50
Generator	-
Solar home system	83
Battery	-
Other	91
No access to electricity	3856

Number of households with access to electricity by type
(Source: Community survey of 2016 by Statistics South Africa)

Societal challenges

Difficulties faced by communities in terms of households	
Type of Difficulty	Number of households
Cost of water	1454
Lack of reliable electricity supply	956

Cost of electricity	1908
Inadequate sanitation/sewerage/toilet services	1132
Inadequate refuse/waste removal	110
Inadequate housing	1317
Inadequate roads	1526
Inadequate street lights	87
Lack of/inadequate employment opportunities	4431
Lack of/inadequate educational facilities	194
Violence and crime	689
Drug abuse	26
Alcohol abuse	66
Gangsterism	85
Lack of/inadequate parks and recreational area	172
Lack of/inadequate healthcare services	701
Lack of/inadequate public transport	185
Corruption	347
Other	272
None	1001

Societal challenges as reported by the community of Naledi in terms of households
(Source: Community survey of 2016 by Statistics South Africa)

Housing

Type of dwellings in Naledi	
Type of Dwelling	Number
Formal dwelling/house or brick/concrete block structure on a	15185
Traditional dwelling/hut/structure made of traditional mater	130
Flat or apartment in a block of flats	180
Cluster house in complex	20
Townhouse (semi-detached house in a complex)	1387
Semi-detached house	12
Formal dwelling/house/flat/room in backyard	712
Informal dwelling/shack in backyard	412
Informal dwelling/shack not in backyard (e.g. in an informal	2558
Room/flat on a property or larger dwelling/servants quart	65
Caravan/tent	-
Other	33
Unspecified	-
Total	20692

Type of households against the total number of households

(Source: Community survey of 2016 by Statistics South Africa)

Sanitation

Type of Toilet facilities used in Naledi	
Facility Type	Number of households
Flush toilet connected to a public sewerage system	14358
Flush toilet connected to a septic tank or conservancy tank	588
Chemical toilet	615
Pit latrine/toilet with ventilation pipe	2017
Pit latrine/toilet without ventilation pipe	1085
Ecological toilet	-
Bucket toilet (collected by municipality)	282
Bucket toilet (emptied by household)	134
Other	495
None	1119
Total	20692

Type of toilet facilities used in terms of the total number of households

(Source: Community survey of 2016 by Statistics South Africa)

Refuse Removal

According to own municipal data the majority of Household refuse removal in Naledi is done by the Municipality at least once a week, however there are still households that does their own refuse removal.

The following constitute key challenges in respect of waste management

- No access to Waste and refuse disposal at Dithakwaneng and Devondale
- No licensed landfill site at Stella
- Illegal Dumping
- Insufficient number of refuse bins in Naledi
- Insufficient number of transfer Stations

Cemeteries

Area	Cemeteries			
	Formal	Informal	Unused / old	Total
Naledi Local Municipality	5	3	3	11

Number and type of cemetery facilities in Naledi

(Source: Own Municipal Data)

Health Profile

Health facilities within Naledi local municipality are within the close proximity and accessible to the community except for facilities in Huhudi which are almost 3km from the furthest house in Wards 4, 9, and 10 in Huhudi

Area	Health Infrastructure					
	Hospital	Clinic	Mobile Clinic	Community Health Centre	Local Aids Council	Medical Centre
Vryburg	2		1	1	0	0
Colridge		1				
Huhudi		1	1			
Stella				1		
Tlhakeng			1			
Devondale			1			
Dithakwaneng			1			
Geduldspan			1			

Health infrastructure in Naledi

(Source: Own Municipal Data)

1.4. FINANCIAL HEALTH OVERVIEW

The Budget and Treasury Office comprises of office of the CFO; Budget and Reporting; Payments and Creditors; Debt Collection and Revenue Management. All manager positions for the 2016/17 year were filled. However, the department was not without staffing challenges.

A skills audit was conducted to determine the competency levels of the managers in the BTO section. The results of which are depicted below.

It must be noted that although the positions are filled, only 3 of 5 managers reporting directly to the CFO meet the minimum competency levels.

The Assistant Manager: SCM became vacant on 1 June 2017.

REVENUE

The total revenue for the financial year 2016/17 increased by 5% from the previous financial year. This increase was contributed by increase in property rates. The Municipalities major source of income is from Service Charges, Property Rates, Other Income and Grants.

Challenges

- Suspension of officials
- Transfer of officials without removing them from the BTO budget
- Intern subsequently promoted to Senior Data clerk
- Debt collection department not capacitated
- Not all consumers are being billed
- Delayed printing and posting of consumer accounts
- No monitoring of consumers arrangement to ensure that consumers are paying as per arrangement
- Debt owed by employees not deducted from Payroll
- High management fees paid to smart meter service providers
- Technical, Community and Finance department operating in silos

Successes

- Process to open consumer accounts for ext. 25 and 28 has begun
- Data cleansing project underway and results starting to show

SUPPLY CHAIN MANAGEMENT

The unit has been staffed by two interns and the assistant manager until 1 June 2017 when the assistant manager position became vacant. Position of the assistant manager became vacant from 1 June 2017.

OFFICE OF THE CFO

The suspension of the CFO led to many regulatory and other monthly reports not being submitted on time to Exco, Provincial and National Treasury. The remaining officials in the office of the CFO could not operate the financial system. This led to bank reconciliations, s71 reports and adjustment budget, amongst many other functions not being prepared on time.

Challenges

- Third parties were not paid since September 2016
- Eskom account not paid since July 2016
- Creditors listing not complete therefore
- Cash flow challenges
- Indigent threshold unaffordable for the municipality
- Consumers connected without paying consumer deposits

Successes

- Revenue enhancement task team established
- Overtime payments have been reduced
- Non-paying consumers are being disconnected to enforce payment
- mSCOA implementation prioritised to meet deadlines

Payments and Creditors

Total value of creditors as at 30 June 2017

- R 381 738 692

Top 10 Creditors and the value thereof

6050/000	TRADE CREDITORS - TRADE CREDITORS	16-17
6050/003	TRADE CREDITORS - E0015 - Eskom Holdings (Pty) Ltd	-251 163 393.38
6050/064	TRADE CREDITORS - V0207 - Vaalharts Water	-34 205 328.22
6050/236	TRADE CREDITORS - N0180 - NWPG Revenue Account	-22 431 276.00
6050/240	TRADE CREDITORS - S0060 - Sedibeng Water	-18 586 434.31
6050/072	TRADE CREDITORS - S0514 - Sizwe Ntsaluba Gobodo	-6 816 961.99
6050/321	TRADE CREDITORS - R0560 - Remote Metering Solution	-5 249 541.55
6050/008	TRADE CREDITORS - S0006 - SALGA	-4 857 767.01
6050/082	TRADE CREDITORS - E0015 - Eskom Holdings (Pty) Ltd	-4 407 655.52
6050/302	TRADE CREDITORS - L0197 - Lebo Tebo Trading and Pr	-4 075 168.66
6050/245	TRADE CREDITORS - D0359 - Department of Labour Com	-3 265 383.96
		-355 058 910.60

Payments turnaround time of 30 Days + reasons

Cashflow

- Municipality is failing to comply with the set standard due to our cash flow challenges.
- The municipality is in the process with a financial turnaround strategy.
- The next phase in the financial turnaround strategy is to address our biggest concern, which is the cash flow situation of the municipality.
- Implementation of new and revised finance policies and procedures
- Revision of the budget and general ledger account structure
- New SCM system and procedures implemented together with establishing of SCM unit
- Restructuring of and repayment agreements with major creditors
- The Naledi Local Municipality is no different from most other municipalities in the country. The funding model for municipalities is fundamentally flawed in that it requires a municipality to collect 60% of its budget from a local revenue source that is unable to foot the bill for ever increasing demands from municipal salaries, electricity bills, rapid ageing infrastructure, etc.
- The municipality has identified the following main strategies in order to improve the cash flow situation:
 - a) Implementation of new debtors sub-ledger in order to improve on reliability of information and reporting
 - b) Stricter monitoring over debt collection unit through improvements to debt collection system and blacklisting of defaulting consumers
 - c) Obtaining the electricity distribution license of the Huhudi township from Eskom in order to improve our debt collection processes or to receive the co-operation from Eskom in the debt collection efforts in this area
 - d) Implementation of a smart water meter grid and system

e) "Cleaning" of our debtors ledger information through a door-to-door physical verification process on consumers and services rendered

f) Renovation of water and especially electricity networks in order to reduce losses

- Unfortunately most of the strategies identified for the improvement of our cash flow situation are very costly and time consuming. The municipality has over the past two years worked non-stop in order to identify possible funders and funding models in order to finance these strategies. At the inception of our financial turnaround strategy, it was made clear that this process was realistically going to take at least 3 to 4 years to be completed and that our situation was more than likely going to worsen before it would improve.

1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

The main objective of this key performance area is to ensure institutional capacity and administrative support to the Municipality in order to deliver its mandate.

The Corporate Services department is responsible to provide transformation and organisational developmental Services in the Municipality.

Its core functions are:

- Human Resource Management
- Skills Development
- Legal Services
- Information Technology
- Registry
- Labour Relations
- Sound administrative support to Council

1.6. AUDITOR GENERAL REPORT

For the 2016-2017 financial year, Naledi Local Municipality received a qualified audit opinion on the financial statements. The Auditor general report (Refer to annexure B) and audited financial statements (Refer to Volume II) form part of this Annual Report as annexures.

1.7. STATUTORY ANNUAL REPORT PROCESS

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	January
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	

Key deadlines – Annual Report

The following table depicts key deadlines and processes in terms of the Annual Report that Naledi Local Municipality intend following.

Date	Activity
15 th August 2017	Submit Draft AR to IA/AC (Circular 68)
31 st August 2017	Submit Draft AR to AG (Circular 68)
31 st August 2017	Submit APR in format of AR to Council for noting (Circular 68)
November 2017	Receive Audit report from AG
20 January 2017	Audit Action Plan developed
31 January 2017	Submit Draft AR to Council for noting (Draft) (MFMA 127 (2))
Feb-March 2017	Oversight process
31 March 2018	Submit oversight report to council with recommendations of AR (Final) (MFMA 129)

In terms of the Annual Report Process, Naledi Local Municipality intend following all prescripts within the legislative framework and guidelines presented by National Treasury.

CHAPTER 2 – GOVERNANCE

Naledi Local Municipality is committed to transparent and accountable governance. The broad range of public participation programmes and processes, especially related to its IDP; Budget and Annual Report bears testimony to the municipality's commitment to involve its communities in its planning and decision making processes.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Council of Naledi Local Municipality is the highest decision-making authority in the institution. It guides and instructs the administrative component, which implements the decisions taken by the political component.

2.1 POLITICAL GOVERNANCE

Council has 20 seats (10 proportional representatives - PR Councillors); 10 councillors are from the different wards within the municipality. The Mayor, Cllr NW Skalk is the political head of the municipality whilst the Speaker, Cllr C Groep is the chairperson of Council.

Naledi Local Municipality is governed in terms of an executive committee system. The Mayor governs together with an Executive Committee which comprises of 3 (three) Chairpersons of Portfolio Committees.

The following are portfolio committees that exist in the Municipality: Infrastructure, Development & Town Planning, Community Services and Local Economic Development, Finance and Corporate Services and Executive Committee.

The municipality has established a Municipal Public Accounts Committee (MPAC) which serves as an Oversight Committee and is comprised by non-executive councillors and their responsibility is to provide Council with recommendations on the Annual Report and other Reports that may be referred to it by Council.

The council appointed the following councillors as members of MPAC during ordinary council meeting of September 30th, 2016 as per council resolution 357/2016.

1. CLLR H PHILANDER – CHAIRPERSON
2. CLLR J ADONIS
3. CLLR K BOME
4. CLLR M LEBONA
5. CLLR K TAUWE

- MPAC councillors were inducted by SALGA and Department of Local Government & Human Settlement after being sworn in during August 2016.

- MPAC Handover report were prepared in terms of COGTA circular 29 of 2016 and submitted to council (council resolution 360/2016).
- The Annual work plan for 2016/17 was approved by council.
- The Annual Work Plan 2016/17 was approved by council and consists of the terms of reference and monthly programs for MPAC activities.
- MPAC submitted three quarterly reports to council (council resolution 506/2016, 507/2016; 508/2016 and 157/2017)
- MPAC has managed to ensure public participation is enhanced through its oversight function by ensuring that public is invited during the consideration of the Annual report 2015/16.
- The committee engaged with community to consider their views on progress made by Municipality and ensured that community were invited to council meeting when oversight report was considered.
- *The following challenges and root cause were identified and reported to council*
 - *Management does not adequately exercise their oversight responsibility regarding financial and performance reporting and compliance and related internal controls.*
 - *There are minimal consequences management for poor performance and transgressions of the legislative requirements.*
 - *The functionality of ward committees due to poor monitoring.*
 - *Revenue collection is not growing speedily to address service delivery*

The municipality has an Audit and Performance Committee which is a shared service for that was established by the district municipality.

POLITICAL DECISION-TAKING

All council meetings are conducted according to the approved Standing Rules of Orders. These Standing Rules of Orders set out how the council meeting should be conducted, how you can propose motions or pass resolutions and how decisions will be made. The speaker or chairperson of the council decides whether anyone is breaking the Standing Orders and is responsible for keeping order.




Council's political decision-making is done in the following manner:





1. The Corporate Services Department is charged with the responsibility of ensuring that the agendas is prepared before meetings and any committee reports, petitions or motions have to appear on an agenda before they can be discussed and must be received by all Councilors at least seven (7) days before.
2. When an issue comes up for discussion at a council meeting it is often referred to a committee or to the Executive Committee for further discussion and a deadline is given for when the report should be made.
3. If the matter is referred to a committee the committee will report to the Executive Committee. The Executive Committee will consider the issue and either support their recommendations or put opposing recommendations forward to the Council meeting.

4. Council will then resolve on the matter, most Council decisions are taken after a portfolio committee or Executive Committee held its meeting and recommend to council. When council agrees by a majority resolution, the recommendation becomes a resolution of council.





Councillors are at any stage allowed to put forward motions to call for or propose something emanating from any decision taken by the administration or council itself. It is a useful tool to use especially if the administration is not co-operating with council, since council motions cannot be ignored.



Any Councillor may propose a motion in council and in some cases the motion may be passed without being referred for further discussion. Once passed the motion becomes a resolution of council.


Name	Type of Councillor	Political Party	Ward represented	Role	
	Cllr. N. W. Skalk	Mayor	ANC	N/A	Mayor Chairperson of the Executive Committee
	Cllr. C. J. Groep	PR Councillor	ANC	N/A	Speaker of Council
	Cllr. J. A. Adonis	PR Councillor	DA	N/A	MPAC member

Name		Type of Councillor	Political Party	Ward represented	Role
	Cllr. A. N. Bareng	Ward Councillor	ANC	Ward 3	Member of Community Services and Local Economic Development Portfolio Committee
	Cllr. K. L. Bome	Ward Councillor	ANC	Ward 5	Member of Infrastructure, Development and Town Planning Portfolio Committee MPAC member
	Cllr. K. Bosantsi	PR Councillor	ANC	N/A	Chairperson of Community Services and Local Economic Development Portfolio Committee Member of the Executive Committee
	Cllr. J. G. Brand	Ward Councillor	DA	Ward 7	Member of Finance / Budget, Treasury office and Corporate Services portfolio

Name		Type of Councillor	Political Party	Ward represented	Role
	Cllr. L. Ekkelton	Ward Councillor	ANC	Ward 2	Chairperson of Infrastructure, Development and Town Planning portfolio committee Member of the Executive Committee
	Cllr. M. P. Lebona	PR Councillor	EFF	N/A	Member of Finance / Budget, Treasury office and Corporate Services portfolio MPAC member
	Cllr. S. P. Matlabe	Ward Councillor	ANC	Ward 1	Member of Finance / Budget, Treasury office and Corporate Services portfolio
	Cllr. O. R. Modise	PR Councillor	ANC	N/A	Member of Finance / Budget, Treasury office and Corporate Services portfolio

Name		Type of Councillor	Political Party	Ward represented	Role
	Cllr. B. J. Moholo	Ward Councillor	ANC	Ward 9	Member of Infrastructure, Development and Town Planning portfolio committee
	Cllr. S. Mustafa	PR Councillor	DA	N/A	Member of Infrastructure, Development and Town Planning portfolio committee
	Cllr. M. E. Ncobo	Ward Councillor	ANC	Ward 10	Member of Local Labour Forum
	Cllr. O. K. Nyamane	Ward Councillor	ANC	Ward 6	Member of Infrastructure, Development and Town Planning portfolio committee

Name		Type of Councillor	Political Party	Ward represented	Role
	Cllr. H. Philander	Ward Councillor	ANC	Ward 4	Chairperson of MPAC Member of Community Services and Local Economic Development Portfolio Committee
	Cllr. H. L. Pretorius	PR Councillor	DA	N/A	Chairperson of Finance / Budget, Treasury office and Corporate Services portfolio Member of the Executive Committee Chairperson of Local Labour Forum
	Cllr. G. C. Pulane	PR Councillor	EFF	N/A	N/A
	Cllr. E. P. Renoster	PR Councillor	DA	N/A	Member of Community Services and Local Economic Development Portfolio Committee

Name		Type of Councillor	Political Party	Ward represented	Role
	Cllr. K. B. Tauwe	Ward Councillor	ANC	Ward 8	Member of Community Services and Local Economic Development Portfolio Committee
					MPAC member

The Municipality adopted a schedule of meetings for the financial year and the meetings sat as follows:

DATE	TYPE OF MEETING	COUNCILLORS ABSENT
30-Aug-16	Special Council	None
29-Sep-16	Council	None
16-Nov-16	Special Council	None
2-Dec-16	Council	JG Brand (With leave)
22-Dec-16	Special Council	ME Ncobo (With leave) HL Pretorius (With leave) EP Renoster (With leave) GC Pulane (With leave)
13-Jan-17	Special Council	K Bosantsi (With Leave) MP Lebona (AWOL) GC Pulane (AWOL)
16-Jan-17	Special Council	JG Brand (With leave) OR Modise (With leave) GC Pulane (With leave)
18-Jan-17	Special Council	JA Adonis (With leave)
22-Jan-17	Special Council	JA Adonis (With leave) OR Modise (With leave) GC Pulane (AWOL)
27-Jan-17	Special Council	JA Adonis (With leave) OR Modise (With leave) GC Pulane (With leave)
7-Feb-17	Special Council	None
22-Feb-17	Special Council	S Mustapha (With leave) HL Pretorius (With leave) K Bosantsi (With Leave) MP Lebona (AWOL) GC Pulane (AWOL)
13-Mar-17	Special Council	CJ Groep (With leave)
27-Mar-17	Council	None
31-Mar-17	Special Council	GC Pulane (With leave)
3-May-17	Special Council	EP Renoster (With leave) KL Bome (AWOL) MP Lebona (AWOL) GC Pulane (AWOL)
7-May-17	Special Council	JA Adonis (With leave) GC Pulane (With leave)
10-May-17	Special Council	ME Ncobo (With leave) H Philander (With leave) HL Pretorius (With leave)

		GC Pulane (AWOL) L Ekkleton (AWOL)
31-May-17	Special Council	JA Adonis (With leave) GC Pulane (With leave)
14-Jun-17	Special Council	GC Pulane (With leave)
29-Jun-17	Council	JG Brand (With leave) GC Pulane (With leave)

The following information provides an outline on the number resolutions taken by council in each quarter

2016/2017 QUARTER 1 REPORT ON IMPLEMENTATION OF COUNCIL RESOLUTIONS

That Council takes note that seventy (70) resolutions were taken for the period 1 July 2016 to 30 September 2016.

That Council takes note that out of the seventy (70) resolutions taken, sixteen (16) were to be implemented while fifty (50) were for noting. Eleven (11) of the sixteen (16) Council Resolutions were implemented and five (5) are still in process.

2016/2017 QUARTER 2 REPORT ON IMPLEMENTATION OF COUNCIL RESOLUTIONS

That Council takes note that one hundred and forty six (146) resolutions were taken for the period 01 October 2016 to 31 December 2016.

That Council takes note that out of the one hundred and forty six (146) resolutions taken, one hundred and thirty three (133) resolutions were implemented and that thirteen (13) resolutions are still in process.

2016/2017 QUARTER 3 REPORT ON IMPLEMENTATION OF COUNCIL RESOLUTIONS

That Council takes note that out one hundred and seventy two (172) resolutions taken, forty three (43) resolutions were fully implemented and that seven (07) resolutions were still in process.

That Council takes note that one hundred and sixteen (116) items were noted and six (06) were withdrawn.

2016/2017 QUARTER 4 REPORT ON IMPLEMENTATION OF COUNCIL RESOLUTIONS

That Council takes note that one hundred and fifty six (156) resolutions were taken for the period 01 April 2017 to 30 June 2017.

That Council takes note that out of the one hundred and fifty six (156) resolutions taken,, Out of the one hundred and fifty six (156) resolutions, forty two (42) were to be implemented while one hundred and fourteen (114) were for noting. Thirty seven (37) of the forty six (42) Council resolutions were implemented, two (02) were not implemented and three (03) are still in process.

2.2 ADMINISTRATIVE GOVERNANCE

In terms of Part 7 Section 82 of the Municipal Structures Act 117 of 1998 as amended the municipality must appoint the Municipal Manager who is the head of administration and therefore the Accounting Officer. In terms of Section 55 of the Municipal Systems Act, 32 of 2000 (as amended) the Municipal Manager as head of administration is subject to policy directives of the municipal council responsible for the formation and development of an efficient, economical, effective and accountable administration and must manage the municipality in accordance with all legislation and policies pertaining to Local Government.

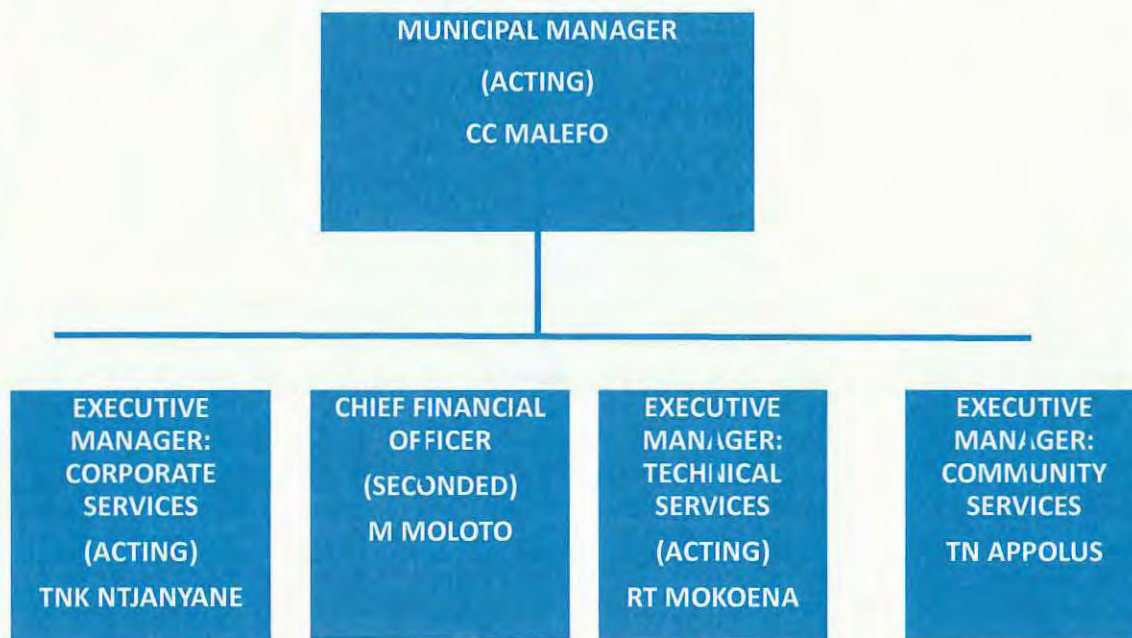
In terms of section 50 of the Municipal Systems Act 32 of 2000 as amended, the Council in consultation with the Municipal Manager must appoint managers who are directly responsible to the Municipal Manager who must have relevant and requisite skills and expertise to perform the duties associated with the posts they each occupy.

The Acting Municipal Manager, Ms. CC Malefo is the Accounting Officer of the municipality and is supported by four (4) Senior Managers.

The Municipal Manager is also accountable for all the income and expenditure and all assets as well as the discharge of liabilities of the municipality including proper and diligent compliance with the Municipal Finance Management Act, 53 of 2003. Each Executive Manager who reports directly to the Municipal Manager are delegated the functions which the Municipal Manager may delegate to them and are responsible for all those matters delegated to them including financial management as well as discipline and capacitating of officials within their areas of responsibility and compliance to all legislation governing Local Government, its policies and By-laws.

The Municipal Manager and Executive Managers forms the senior management core and all directors are accountable to the Municipal Manager in terms of strategic management and oversight of their departments. All budget expenditures in each directorate are managed by the Senior Manager in order to ensure that service delivery matters are handled promptly.

The Administration Governance Structure comprises of five (5) Municipal Departments aligned to the Municipal function and responsibilities.



The table above depicts the Top Management structure for 2016-2017 financial year.

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

After the 1994 general elections critical areas needed to be addressed and amongst them was to transform the system of government through establishing structures that will be in a position to ensure good working relations of the three spheres of government.

Chapter three of the Constitution of 1996 is an overarching legislative tool used to guide and provide detailed pieces of legislation like Municipal Systems Act, Section 3, Municipal Structures Act, Section 88 and the Intergovernmental Relations Framework Act, Act 13 of 2005.

The Naledi Local Municipality complied with the above legislative requirements during the year under review in ensuring that there is continuous consultation with relevant stakeholders at the level of Co-operative Governance and Intergovernmental Relations (IGR) across the spheres of government to provide basic services to the community of the municipality.

Sector Departments are always requested to present their developmental projects and programs to the municipality for inclusion in the Integrated Developmental Plan (IDP). The municipality works hand in hand with all sector departments under the Setsokotsane programme; it is under this programme that the municipality would together with sector departments provide services in a particular ward in our local municipality.

Inter-Governmental Relations is the organisation of the relationships between the three spheres of government. The Constitution states that *"the three spheres of government are distinctive, interdependent and interrelated"*. Local government is a sphere of government in its own right, and is no longer a function or administrative implementing arm of national or provincial government. Despite the fact that the three spheres of government are autonomous, they exist in a unitary South Africa meaning that they have to work together on decision-making, co-ordinate budgets, policies and activities, particularly for those functions that cut across the spheres.

Co-operative governance means that the three spheres of government should work together (co-operate) to provide citizens with a comprehensive package of services (governance). Local government is represented in the National Council of the Provinces and other important institutions like the Financial and Fiscal Commission and the Budget Council. The South African Local Government Association [SALGA] is the official representative of local government.

SALGA is made up of nine provincial associations. Local municipalities join their provincial association. Executive elections and decisions on policies and programmes happen at provincial or national general meetings. SALGA is also an employers' organisation, and sits as the employer in the South African Local Government Bargaining Council. SALGA's main source of funding is membership fees payable by municipalities.

2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

The notion of Co-operative Governance and Intergovernmental Relations (IGR) in the country is rapidly evolving and gradually taking a particular shape and direction. The IGR system must be understood in the context of being a facilitating and engagement platform of sectors across the three spheres to amongst others ensuring the implementation of the National Development Plan (NDP), the Provincial Growth and Developmental Strategy (PGDS) and the Integrated Development Plans (IDP) of local municipalities.

Intergovernmental Relations is about relations between different governments or between organs of state from different governments about the conduct of their affairs.

At its most basic level, intergovernmental relations is about the relationships between the three "spheres" of government – national, provincial and local government – and how these can work together for the good of the country as a whole.

The function of the IGR Forums such as the Mayors Forum and the Municipal Managers Forum have been established at the District Level and their function is to, together with Sector Departments:

- Discuss and consult each other on matters of strategic and mutual interest, including:
 - Draft national and provincial policy and legislation, relating to matters affecting local government interests in the municipal area;
 - The implementation of national and provincial policy and legislation with respect to such matters in the municipal Area;
 - Matters arising in the Premier's intergovernmental forum affecting the municipal area;
 - Coherent planning and development in the Dr. Ruth S Mompoti Municipal Area, focusing on:
 - Water Services;
 - Sanitation
 - Land;
 - Subsistence farming;
 - The processing of agricultural products;
 - Housing; and
 - Traditional Leaders.
 - The provision of services in the Dr. Ruth S Mompoti Municipal Area;

At meetings of the IGR, the municipalities discuss the implementation of national policy and legislation that affect the district and discuss upcoming national policy and legislation that will affect the district.

The IGR is an ideal forum to discuss progress with regard to service delivery in the municipal area as well as the problems that may impede such progress. Initiatives such as shared services models could also be dealt with at forum meetings.

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The Naledi Local Municipality as part of the North West Province does participate in all the provincial programmes that seek to improve the quality of the life in its area of jurisdiction. The Office of the Premier in the province do extend invitations for municipalities to attend the North West Premiers Coordinating Council (NWPCC) which is the provincial IGR forum where matters of mutual interest are discussed and clear decisions and resolutions are taken for implementation by municipalities. Weekly and monthly reports in line with Back to Basics are submitted by Naledi Local Municipality to the province and the Department of Co-operative Governance and Traditional Affairs respectively.

The Mayor and the Municipal Manager attend the Bokone Bophirima Premiers' Coordinating Council (BBPCC) where political and policy decisions are taken. Four meetings are held per financial year. The Municipal Manager attend the Technical Cluster Meetings where technical and implementation, monitoring and evaluation decisions are taken and considered, which also is held at least four times in a financial year.

At the provincial level there is the Planning Lekgotla that is responsible to assess the potential and challenges in Bokone Bophirima and prepare an appropriate policy and strategic response for implementation of the public administration.

The purpose of the Lekgotla is therefore to confirm the contribution from Bokone Bophirima towards Priority Outcomes in the MTSF; consolidate and align the Premier's vision for Bokone Bophirima into feasible priority programmes and projects with realistic outcome and output targets; and based on one-on-one discussions with departments; agree on a strategy and implementation plan is firmly built on Agriculture, Culture, Tourism (ACT) and Setsokotsane as the core pillars of development; reinforce integrated planning, affordable budgeting and joint implementation at municipality and ward level; and prepares for a SOPA that will commit government.

DISTRICT INTERGOVERNMENTAL STRUCTURES

The White Paper on Local Government issued in 1998 expresses the role of the District municipalities as follows: to build local municipalities where there is no capacity, initiating economic development of the district, planning land-use in the district and providing in the basic needs of people living in deprived areas. Number of processes and structures has been established by law to manage the relations between municipalities exercising jurisdiction over the same geographical area. First, the relationship should be one of mutual support and coordination.

The Municipal Structures Act thus obliges district and local municipalities to support one another at the request of either. The most important aspect of the relationship is probably the drafting of a district-wide IDP. There are also a number of structures in place in Dr. Ruth Segomotsi Mompati district Municipality to give effect to the objectives of mutual support and coordination. The following are IGR structures that we have in the district that are operational:

The Municipal Manager's forum: All of the Municipal Managers of the local municipalities in the district convene to discuss issues that concern their municipalities and the progress they have achieved with

regard to service delivery, the decision taken from that meeting will then be taken to the Mayoral Intergovernmental Relations Forum meeting to discuss and interrogate it further.

The local Intergovernmental Relations: According to section 88 of the Municipal Structures Act, Act 117 of 1998, the District Municipality has the responsibility to provide support to its family local municipalities. The district provides support to locals in a joint meeting convening at least one local IGR forum.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Community participation in local government affairs gives expression to the democratic principles and values of our Constitution and the political rights of the individual entrenched in section 19 of the Constitution.

The Municipal Council encourages participation of the community and community organisations in local government matters and adheres to the democratic values and principles enshrined in the Constitution which governs public administration.

Public participation is a principle that is accepted by all spheres of government in South Africa. Participation is important to make sure that government addresses the real needs of communities in the most appropriate way.

Participation also helps to build an informed and responsible citizenry with a sense of ownership of government developments and projects. It allows municipalities to get buy-in and to develop partnerships with stakeholders.

The Municipal Council encourages participation of the community and community organisations in local government matters and adheres to the democratic values and principles enshrined in the Constitution which governs the public administration through:

- the preparation, implementation and review of the IDP
- Establishment, implementation and review of performance management system
- Monitoring and review of the performance, including the outcomes and impact of such performance and preparation of the municipal budget.

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

Communication is a two-way process in which there is an exchange of thoughts, opinions, or information by speech, writing, or symbols towards a mutually accepted goal or outcome. "Purpose of effective communication is sustaining the on-going work with maximum efficiency" Communication will help build good relationships with team members, sponsors, and other key stakeholders, to increase the likelihood of project or any activity success.

Council also respond to the people's needs and encourage the public to participate in policy-making through IDP Representative Forums and other intergovernmental Forums established by different departments within the Naledi Local Municipality.

Council fosters transparency by providing the public with timely, accessible and accurate information by publishing information in the local newspapers using three predominant officials' languages of Setswana, Afrikaans and English. The Municipal Council also engages the community in consultation in matters such as the IDP, budget, performance management, provision of services etc.

A key part of the municipality's annual plans should be how to communicate all this to the people and how to involve them in decisions or as partners. .

The council also respond to the people's needs and encourage the public to participate in policy-making through IDP Representative Forums.

There are also Mayoral outreach programmes whereby the Mayor on his capacity visits individual communities to listen to their needs and problems they are encountering in their different wards.

The Naledi Local Municipality had undertaken various public participation activities in line with legislation and the approved IDP/PMS and Budget Process Plan.

The Public Participation activities were as follows in terms of the IDP:

IDP Activity	Date	Stakeholders	Outcome
IDP Steering Committee meetings	16 November 2016 and 23 March 2017	Municipality District Municipality Sector Departments Department of Local Government and Traditional Affairs Office of the Premier	Projects and Programmes from all sectors aligned to community needs
IDP Rep Forum meetings	5 December 2016 and 26 May 2017	NGOs and Interest Groups All Councillors Ward Committee members	Projects and Programmes from all sectors communicated to the communities via Ward Committees and Councillors
IDP Needs analysis meetings (Ward Based Planning)	22 February 2017 to 2 March 2017	Municipality Ward Councillors Community	Consolidated community needs and priorities
IDP and Budget Roadshow (Mayoral programme)	2 May 2017 to 16 May 2017	Municipality Mayor Ward Councillors Community	Confirmation of Draft IDP 2017-2022 and Draft Budget 2017-2018

WARD COMMITTEES

Ward committees are managed by respective Ward Councillors comprising of 10 ward committee members per ward.

A Ward Committee is set up for each ward councillor to assist and advise the councillor and improve public participation in wards. Ward Committees are mainly advisory committees which can make recommendations on any matter affecting the ward within a municipality. The municipal council makes the rules that guide the Ward Committees. The rules say how the members of the Ward Committee will be appointed, how often Ward Committee meetings will take place and the circumstances under which a member of a ward committee can be told to leave the committee.

The purpose of a ward committee is to:

- Get better participation from the community to inform council decisions.
- Make sure that there is more effective communication between the council and the community.
- Assist the ward councillor with consultation and report-back to the community.
- Advise the ward councillor on issues and development in the community.

Structure of ward committees

A ward committee consists of the councillor who represents the ward, as elected in the local government elections a maximum of 10 people from the ward who are elected by the community they serve. The councillor is the chairperson of the ward committee. Members of the ward committee must participate as volunteers and are only getting stipends.

The table below summarises the ward committee meetings held as provided by the office of the Speaker

Column Headings				Quarter 3			Quarter 4
War Number	Ward councilor	Venue	Time	April	May	June	July
Ward 01	Cllr G Gamma	Rekgarathile Primary School	17:00	None	None	None	None
	Mr T L Bob						
	Mr T Mmusi						
	Ms M Motlhale						
	Mr O Molutsi						
	Mr H van Wyk						
	Mr O J Matebele						
	Ms Selefo						
	Mr J Mongwegi						
	Ms G Mokawana						
	Mr P K Molutsi						
Ward 02	Cllr L Ekkelton	Colridge Community Hall	17:00	None	10-May-17	07-Jul-17	
	Ms M Louw						
	Ms M Titus						
	Mr J Ratlou						
	Ms P Ratlou						
	Ms Z Kooepile						
	Mr R Lang						
	Ms F Wright						
	Ms S Bob						
	Ms E Olehile						
Ward 03	Cllr A N Bareng	Colridge Community Hall					

Column Headings				Quarter 3			Quarter 4
War Number	Ward councilor	Venue	Time	April	May	June	July
	Ms P du Plessis		11:00	None	30-May-17	27-Jun-17	None
	Ms K Davis						
	Mr H V van der Westhuizen						
	Ms M Ishmail						
	Mr D Miller						
	Mr R Gobusamang						
	Ms J Jacobs						
	Ms R Mohamed						
	Ms S Seakeco						
	Mr A Khan						
Ward 04	Cllr H Philander	Thuto Lesedi Primary School	17:00	None	None	None	None
	Ms C L Moleme						
	Mr O D Lee						
	Mr O A Lobeko						
	Mr M L Babe						
	Mr O H Lewinda						
	Ms S V Mooko						
	Ms M C Molebalwa						
	Ms M A Masilo						
	Mr O M Jakwe						
	Ms M M Mashati						

Column Headings				Quarter 3			Quarter 4
War Number	Ward councilor	Venue	Time	April	May	June	July
Ward 05	Cllr K L Bome	Dithakwaneng	17:00	None	17-May-17	22-Jun-17	None
	Ms S K Masoge						
	Mr B E Ebusang						
	Mr K E Maelangwe						
	Ms K A Mokgheti						
	Mr A Kgongwana						
	Ms K E Mokweetsi						
	Ms G D Lecholo						
	Ms B S Mokomele						
	Ms A T Mothobi						
Ward 06	Cllr O K Nyamane	Huhudi Community Hall	17:00	03-12-24-April 2017	09 - 31 May 2017	06-16 June 2017	02-13-18 July 2017
	Ms K M Mmusi						
	Mr M M Modisrapula						
	Ms G G Sekwelelo						
	Mr T E Setlhabetsi						
	Mr O F Seholo						
	Mr N P Tau						
	Mr B T Sheleng						
	Ms T P Gasenamore						

Column Headings				Quarter 3			Quarter 4
War Number	Ward councilor	Venue	Time	April	May	June	July
	Ms T V Morake						
	Ms K V Mapfundo						
Ward 07	Cllr J G Brand	Banquet Hall & Ext 25-28	17:00	None	None	None	None
	Ms A D van Wyk						
	Mr L Bellingham						
	Mr P Theron						
	Ms J Ross						
	Ms C Cloete						
	Mr P Segokotlo						
	Mr T Dingizwayo						
	mr B Fuleni						
	Mr L Digopo						
Ward 08	Cllr K B Tauwe	Gymnasium	17:00	None	None	None	None
	Ms K A Moroka						
	Ms S E Sebegu						
	Ms D M Koosentse						
	Ms R H Hephawe						
	Ms J M Lenoge						
	Mr L C Jacobs						
	Ms O R Moruri						
	Mr M S Rooskrans						

Column Headings				Quarter 3			Quarter 4
War Number	Ward councilor	Venue	Time	April	May	June	July
	Ms C P Pitso						
	Ms L M Mokoena						
Ward 09	Cllr B J Moholo	Pule Leeuw Combined School	17:00	None	None	11-Jun-17	None
	Ms B E Raokwe						
	Mr E A Mokwena						
	Ms T S Modukanene						
	Mr L Seboletswe						
	Ms G K Boekhouer						
	Mr M A Dikhai						
	Mr T C Mokwa						
	Mr E E Jantjies						
	Ms L P Fourie						
	Mr O S Moholo						
Ward 10	Cllr M E Ncobo	Huhudi Community Hall	17:00	None	None	08-Jun-17	None
	Ms T Kabe						
	Ms K M Modise						
	Ms B E Senye						
	Ms K L Motthanke						
	Ms N F Khasu						
	Mr A P						

Column Headings				Quarter 3			Quarter 4
War Number	Ward councilor	Venue	Time	April	May	June	July
	Lecholo						
	Ms K Y Boikanyo						
	Ms I Thupiyagae						
	Mr T B Zimba						
	Mr T Tlhomelang						

2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

COMPONENT D: CORPORATE GOVERNANCE

Corporate governance is a set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate Governance also includes the relationship among the many stakeholders involved and the goals for the institution is governed and is also governed by King II & III Code of Practice applicable to local government sphere.

2.6 RISK MANAGEMENT

Introduction

The Municipality should ensure that it have effective, efficient and transparent systems of financial and risk management and internal controls. In order to assist officials in discharging their risk management responsibilities, the DRSM Risk Management Unit embarked on a process to facilitate the identification and rating of business risks, in a supporting role as per section 88 of the Municipal System Act.

The realisation of the Municipalities within the Dr Ruth S. Mompati District, strategic plan depends on Management being able to take calculated risks in a way that do not jeopardise the direct interest of any stakeholders. Sound management of risk(s) will enable Management to anticipate and respond to changes in the service delivery environment, as well as make informed decisions under conditions of uncertainty.

The adopted Risk Management Framework and Policy (as per Council Resolution) addresses key elements to be implemented and maintained by the Municipality, which will allow for the management of risks within defined risk/return parameters, risk appetite and tolerances as well as risk management standards. As such, it provides a framework for the effective identification, evaluation, management, measurement and reporting of the Municipality's risks, timeously & pro-actively.

Risk is often created by:

- Changes that takes place within the Municipality (i.e. people, systems, processes, technology, legislation and regulations);
- External influences (i.e. economics, availability of human resources and damages);
- Operations and complexity of processes;
- Volume of activities within a Municipality and cross cutting activities; and
- The nature of the control environment.

The primary goals of the Risk Management Unit are to support the overall mission of the Municipalities by:

- Supporting balance sheet protection;
- Supporting business continuity;
- Supporting reputation risk;
- Defining risk management roles and responsibilities within the Municipalities and outlining procedures to mitigate risks so as to ensure a dynamic and demonstrable process in which responsibility rests with line management with overall responsibility vested in the Accounting Officers and the Risk Management Unit.

- Ensuring pro-active, consistent, integrated and acceptable management of risk throughout the Municipalities;
- Defining a reporting framework to ensure regular communication of pre-defined risk management information to the respective Municipalities' Council, Risk Management, Audit and Executive Committees, the Municipalities' senior management and officials engaged in risk management activities;
- Remaining flexible to accommodate the changing risk profile and management needs of the Municipalities within the District, while maintaining control of the overall risk position;
- Document the approved methodology for risk measurement; and
- Providing a system or process to accommodate the central accumulation of risk data such as the development and maintenance of a risk register, which must form part of operational support and procedures.

Background

On the 23rd May 2013 the Audit Committee resolved, after considering recommendations from the respective Accounting Officers and relevant stakeholders, the following:-

1. The District Municipality's Risk Management Unit assist each Local Municipality with implementation and facilitation and roll out of Risk Management, the procedures and processes;
2. The support and assistance falls within Section 88 of the Municipal Systems Act and will roll out in the future to a Shared Services aligned with Service Level Agreement between the Dr. Ruth S. Mompoti District Municipality and the respective Local Municipalities
3. Each Accounting Officer delegates an official who will be responsible for Risk Management (referred to as the risk champion), and will on a continuous basis communicate and assist the District Municipality's Risk Management Unit to effectively implement the said sections of the MFMA; That each Local Municipality will notify and inform the Risk Management Unit the said delegated official's name and contact detail and ensure that the respective delegate will on a regular basis communicate with the Risk Management Unit.
4. All municipalities within the District Municipality adopt and use a uniform framework, guidelines and reporting templates with regard to the powers and functions of the Risk Management Unit, Risk Management Committee, Audit Committee and the Internal Audit Shared Service;
5. The respective Accounting Officers should ensure that the delegated official submit reports on a quarterly basis their respective Management and Council, which was recommended by the Risk Management Committee and the Audit Committee; and
6. The delegated officials should be members of the District Risk Management Committee, as per the adopted Risk Management Committee Charter.
7. The Risk Management Unit will submit to all municipalities the uniformed Framework, Plans, Policies and quarterly progress reports to be tabled and adopted by the respective Council as recommended.
8. Municipalities should ensure to communicate all relevant Council logistics to the Risk Management unit on a quarterly basis.

LEGISLATIVE FRAMEWORK

Sections 62(1) (c) (i) and 95(c) (i) of the MFMA, requires the Accounting Officers to ensure that their municipalities and municipal entities have and maintain effective, efficient and transparent systems of risk management.

Section 78 of the Municipal Finance Management Act (Act 56 of 2003) refers that in terms of general responsibilities, that all senior managers and other officials of municipalities implies that responsibility for risk management vests at all levels of management and that it is not limited to only the Accounting Officer, Internal Audit, & the Risk Management Unit.

Risk assessment: objectives

A risk assessment cannot be seen in isolation. The Committee of Sponsoring Organizations of the Tread way Commission (COSO) developed a framework that could be used by management to evaluate and improve their organisations' enterprise risk management. This provides key principles and concepts, a common language and clear direction and guidance. The framework is geared to achieving entity objectives.

The risk assessment workshop focused on the following components of the framework:

- Objective Setting – Objectives must exist before management can identify potential events that may have an impact on the achievement of these objectives.
- Event Identification – Internal and external events affecting achievement of an entity's objectives (distinguishing between risks and opportunities); and
- Risk Assessment – Risks are rated on their impact, if materialised, and likelihood of materialising.

The criteria for measuring the impact of a risk materialising and likelihood that a risk may materialise were agreed by the participants of the workshop. Impact was defined as the potential loss to the organisation or the service delivery failure should the risk materialise. Likelihood was defined as the probability that an event, which could have an impact on the organisation achieving its objectives, may occur.

COSO's enterprise risk management framework is geared to achieving the following entity objectives:

- Strategic – high-level goals, aligned with and supporting its mission;
- Operations – effective and efficient use of its resources;
- Reporting – reliability of reporting; and
- Compliance – compliance with applicable laws and regulations

The following risk index is used during the risk assessments when assessing inherent risk:

Risk index	Risk magnitude	Acceptability	Proposed actions
20 – 25	Maximum risk	Unacceptable	Take action to reduce risk with highest priority, accounting officer and executive authority attention.
15 – 19	High risk	Unacceptable	
10 – 14	Medium risk	Unacceptable	Take action to reduce risk, inform senior management.
5 – 9	Low risk	Acceptable	No risk reduction - control, monitor, inform management.
1-4	Minimum risk	Acceptable	No risk reduction - control, monitor, inform management.

It is important to note that the results of the risk assessment process represent the participants' interpretation and perception of the nature and quantum of the risks impacting the organisation. The quality of the results therefore depends on the knowledge, experience and quality of input of the participant. In conclusion the participants involved are the Risk Owners and not the Risk Management Unit.

In May 2017 the Council adopted the Risk Manual, Risk Management Strategy, Fraud and Prevention Manual for 2016-2017 financial year.

RISK ASSESSMENTS 2016/2017

Naledi Local Municipality conducted their Risk Management Assessment for 2016/2017 and developed and completed the Top Ten Institutional Strategic Risk Register 2016/2017 and the Top Layer SDBIP Risk Registers 2016/2017.

The Top Ten Institutional Strategic Risk Assessment 2016/2017 was conducted and facilitated on the 05th May 2016 and the Top Layer SDBIP Risk Assessment 2016/2017 was conducted and facilitated on the 05 July 2016 in co-operation with Naledi Local Municipality Management Team.

The following is the results of the Risk Assessments referred to above:

Risk Assessment Register 2016/2017

Department / Risk Area	Inherent	Status	Residual	Status
Top Ten Institutional Strategic Risk	19,1	High	14,01	Maximum
TL: Community Services	18	High	12,46	Maximum
TL: Corporate Services	15,67	High	11,78	Maximum
TL: Budget & Treasury	14,29	Medium	9,61	High
TL: Office of the Municipal Manager	13	Medium	9,05	High
TL: Technical Services	12,75	Medium	8,57	High

The priority risks identified which need urgent attention and/or mitigation are:

- Poor implementation of internal controls (policies and protocols).
- Non adherence to SLAs and contractual obligations (vehicle licencing and library services).
- Cash flow problems.
- Irregular expenditure (SCM: Procurement processes).
- Ageing infrastructure.
- Poor economic growth (poor infrastructure to attract potential investors to Vryburg).
- Ineffective performance management system.
- Inadequate functioning of ward committees (poor public participation process).
- Increased Employee related costs: overtime / EPWP
- Local Government Elections August 2016 – change of political environment, election date in first quarter of financial year ;
- Late Implementation and non-compliance of mSCOA by 1 July 2017;
- IT Management - old network infrastructure & servers, no automated back-up and disaster recovery system.
- Inadequate / insufficient budget for training and skills development.
- Poor fleet management system.
- Unavailability of master maintenance plan for technical Services and community facilities.
- Non- Compliance: Legislation / Regulations / Standards / Reporting / deadlines.

Possible measures which could be implemented:

- Ensure adequate / sufficient budget or funds for IT resources.
- Adherence to Risk Management Cycle;
- Implement consequent management;
- Induction of new Council and Councillors and improve IGR structures;
- Monitor and strengthen third party reliance relationships and controls;
- Buy in of leadership, management and end users to ensure timeously implementation of mSCOA;
- Make implementation of policies an item in management meetings;
- Negotiate for new terms and conditions on the SLAs and ensure adherence and compliance to SLAs.
- Implement the wallet system.
- Develop a realistic revenue enhancement strategy
- Integrate the fruitless and wasteful expenditure register with the SCM system (review the SCM policy).
- Develop a Master Maintenance Plan for technical Services and community facilities).
- Develop an implementation plan from the LED Strategy, meet and partner with relevant sector departments and private businesses.
- Improve Performance management: Review the PMS Policy, ensure to conduct quarterly reviews, ensure evaluation of POEs and procure an Automated Performance Management Tool, consult DRSM Performance Management Unit for procedures and protocols (sec 32).
- Review and amend the overtime policy, develop Standard Operating Procedure (SOPs), cascading of performance management and implement proper weekly schedule (benchmark with municipalities on the same grade and best practice).

- Budget for the procurement of fleet management system and ensure proper reporting.
- Ensure adherence to the MSCOA implementation plan.
- Develop a compliance calendar.

Conclusion

The content of this section represent the participants' interpretation and perception of the nature and quantum of the risks impacting their respective Municipality and/or Agency and/or Department and/or Unit. The quality of the results therefore depends on the knowledge, experience and quality of input of the participants (risk owners).

The Risk Management Unit wishes to thank every manager and/or official who participated and for their commitment.

2.7 ANTI-CORRUPTION AND FRAUD

DRSM RISK MANAGEMENT, FRAUD & ANTI CORRUPTION COMMITTEE

The Dr. Ruth S. Mompoti District Municipality Risk Management, Fraud & Anti-Corruption Committee was launched on Thursday 20 August 2015, as a District forum.

The Chairperson appointed in terms of the Adopted DRSM Risk Management Fraud & Anti-Corruption Committee Charter (Council resolution 247/2014) is Mr. S.A.B. Ngobeni, who is also a member of the Audit & Performance Committee.

Other officials will be invited, when necessary to attend and report to this committee. The following officials are standing members of the Committee:

NAME	INSTITUTION
Mr. S.A.B. Ngobeni	Dr. Ruth S. Mompoti District Municipality
Adv. A. Bam-Smith	Dr. Ruth S. Mompoti District Municipality
Mr. G. Pereira	Dr. Ruth S. Mompoti District Municipality
Mr. O. Batsietseng	Dr. Ruth S. Mompoti District Municipality
Mr. Z. Tshetlho	Dr. Ruth S. Mompoti District Municipality
Ms. S. Phatudi	Dr. Ruth S. Mompoti District Municipality
Mr. M. Chaka	Dr. Ruth S. Mompoti District Municipality
Mr. C. Colane	Dr. Ruth S. Mompoti District Municipality
Mr. K. Thaganyane	Dr. Ruth S. Mompoti District Municipality
Mr. F. Buys	Dr. Ruth S. Mompoti District Municipality
Mr. P. Chwene	Dr. Ruth S. Mompoti District Municipality
Mr. M. Segapo	Naledi Local Municipality
Mr. D. Thornhill	Naledi Local Municipality
Mr. N. Kubeka	Naledi Local Municipality
Mr. N. Ntjanyane	Naledi Local Municipality
Mr. Z. Kana	Naledi Local Municipality
Mr. K. Gasebue	Naledi Local Municipality

2.8 SUPPLY CHAIN MANAGEMENT

Naledi Local Municipality has a functional supply chain management unit with all bid committees in place.

The unit has been staffed by two interns and the assistant manager until 1 June 2017 when the assistant manager position became vacant. Position of the assistant manager became vacant from 1 June 2017.

Challenges

- Unit staffed by interns
- By-passing of SCM processes by officials
- SCM system not linked to CSD

2.9 BY-LAWS

By-laws Introduced during 2016/2017					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
Nuisance By-law	N/A	Yes	None	None	None
Fireworks By-law	N/A	Yes	None	None	None

2.10 WEBSITES

Municipal Website	
Documents published on the Municipality's Website	Yes / No
Current annual and adjustments budgets and all budget-related documents	Yes
All current budget-related policies	No
The previous annual report (Year -1)	Yes
The annual report (Year 0) published/to be published	Yes
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	Yes
All service delivery agreements (Year 0)	No
All long-term borrowing contracts (Year 0)	No
All supply chain management contracts above a prescribed value (give value) for Year 0	No
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No
Public-private partnership agreements referred to in section 120 made in Year 0	No
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	No

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

The benefits the municipality derives from involving community members- are that decisions about the operation of a municipal are made locally by members of the community, at open, public meetings. As all decisions are made locally, the municipality is uniquely able to respond to the community's needs, build on the community's strengths, and reflect and advance the community's values.

It is a challenge to satisfy every citizen in the entire municipal area. These are as a result of limited budget at Naledi Local Municipality. The needs of communities are huge to an extend that the municipality is unable to meet the people's needs on time.

Satisfaction Surveys Undertaken during: Year 2015/16 and Year 2016/17				
Subject matter of survey	Survey method	Survey date	No. of people included in survey	Survey results indicating satisfaction or better (%)*
Overall satisfaction with:	Not conducted	Not conducted	Not conducted	Not conducted
(a) Municipality	Not conducted	Not conducted	Not conducted	Not conducted
(b) Municipal Service Delivery	Not conducted	Not conducted	Not conducted	Not conducted
(c) Mayor	Not conducted	Not conducted	Not conducted	Not conducted
Satisfaction with:	Not conducted	Not conducted	Not conducted	Not conducted
(a) Refuse Collection	Not conducted	Not conducted	Not conducted	Not conducted
(b) Road Maintenance	Not conducted	Not conducted	Not conducted	Not conducted
(c) Electricity Supply	Not conducted	Not conducted	Not conducted	Not conducted
(d) Water Supply	Not conducted	Not conducted	Not conducted	Not conducted

Satisfaction Surveys Undertaken during: Year 2015/16 and Year 2016/17

Subject matter of survey	Survey method	Survey date	No. of people included in survey	Survey results indicating satisfaction or better (%)*
(e) Information supplied by municipality to the public	Not conducted	Not conducted	Not conducted	Not conducted
(f) Opportunities for consultation on municipal affairs	Not conducted	Not conducted	Not conducted	Not conducted

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

COMPONENT A: BASIC SERVICES

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

3.1. WATER PROVISION

Dr Ruth District Municipality was appointed as the Water Services Authority and Naledi Local Municipality was appointed as the Water Services Provider for the jurisdiction of Naledi local Municipality.

Water provision to Huhudi has been a major problem as the completion of the newly built bulk water line was 5 years behind schedule. The pipeline has since been commissioned and despite minor problems the water supply from Sedibeng is unsatisfactory.

Boreholes supplying water to Vryburg have been cleaned and pumps and submersibles been overhauled and/or replaced. Four additional boreholes were drilled and once equipped will contribute towards sustainable water supply to the community. Three boreholes are delivering water directly to the Huhudi reservoir to assist in sustaining an acceptable level of water. The line feeding the industrial site will be moved to the Vryburg reservoir to alleviate pressure on the Huhudi supply.

A 10ML reservoir has been erected in order to supply water to the community of Ext 25 & 28. As a result of the poor delivery of water from the Pudimoe plant, this reservoir could never be filled to date. The tank and equipment at Warrenweg Booster has been refurbished and can now also be used to pump water from the main reservoir to Huhudi and Ext 25 and 28.

At Stella the boreholes were all cleaned and equipment refurbished. Redundant bore holes were cleaned and equipped with new pumps. The tank on the Piet Plessis Road was rebuilt and sufficient water can be delivered to the community of Stella.

The District Municipality is currently implementing a new water conservation and demand management system. All refurbished boreholes are to be equipped with a remote management system. The automation of the boreholes is of the utmost importance to enable us to manage the balancing of water throughout the distribution cycle.

At Broedersput the bore hole was cleaned and a new pump has been installed. Water delivery to the community is sufficient. A project is currently being implemented whereby two additional boreholes are supplied, reticulation is improved and storage facilities are increased.

Devondale has two bore holes with Eskom electricity supply. No problems are experienced with the water delivery.

Dithakwaneng has two bore holes of only one is equipped. We have applied for another electricity connection from Eskom which was supplied. An additional pump need to be installed.

The District Municipality is currently running a project where all water meters in the Naledi Local Municipality are replaced. Currently 3 505 meters have been replaced. A lot of meters not working and bypassed meters were identified. This will contribute to the revenue enhancement plan of Naledi. The billing of water has already improved by 400%. An additional 7 516 meters still need to be replaced

In the informal settlements in the Jurisdiction of Naledi water is not connected to each household, but water is supplied via the placement of Jo Jo tanks which is accessible to the community.

The consumers of the rural villages should be registered onto the financial system in order to improve the indigent allocation from treasury.

Top 3 priorities

Availability of clean water

Find water sources (sustainability)

Managing of water supply

The following target with regard to water emanate from the top layer SDBIP and departmental plans

Service Indicators (i)	Outline Service Targets (ii)	Year 0		Year 1	
		Target		Actual	Target
		*Previous Year (v)	*Current Year (vi)		*Current Year (viii)
				(vii)	
% of households with access to basic level of water	97% of households with access to basic level of water by 30 June 2017	94% of households with access to basic level of water by 30 June 2016	97% of households with access to basic level of water by 30 June 2017	32%	97% of households with access to basic level of water by 30 June 2018

Employees: Water Services				
Job Level	Year 0			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	1	1	0	0%
3 - 6	1	1	0	0%
7 - 9	7	7	0	0%
10 - 12	0	0	0	0%
13 - 15	13	13	0	0%
Total	22	22	0	0%

3.2 WASTE WATER (SANITATION) PROVISION

Waste water

The District Municipality is assisting Naledi with the challenges in the Waste Water Section.

The Waste Water Plant is old and needs special treatment to be fully operational. The Naledi Local Municipality does not have sufficient competent staff to operate and maintain the plant. The District Municipality was engaged to assist in appointing Moedi Consulting Engineers or Sedibeng Water to operate and maintain the plant. Department of Water Affairs appointed Sedibeng Water to do a risk assessment on water and waste water, Sedibeng is currently busy with the investigation.

A new Waste Water Plant is currently under construction..

A company, Fuller Civils, has been appointed by the District Municipality to clean the pipe lines of the sewerage network. A number of dysfunctional pipelines were identified and is now part of a pipe replacement program. Work has already commenced. The industrial pump station was totally refurbished and is functioning properly.

Problem areas were identified and new sewerage lines are under construction to be able to deliver effective sewerage services to the community.

Planning for the construction of new oxidation ponds in Stella is complete. NEP consulting engineers was appointed by the District Municipality to develop a water master plan.

The bucket toilet system is still in use in the informal settlements. There is a shortage of toilets in Broedersput. A program of supplying toilets to Broedersput has already commenced.

Top 3 priorities

Availability of sewerage services to town

Deliver effective and efficient sewer services

Managing of waste water

The following target with regard to sanitation emanate from the top layer SDBIP and departmental plans

Service Indicators (i)	Outline Service Targets (ii)	Year 0		Year 1	
		Target		Actual	Target
		*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)
% of households with access to basic level of sanitation	83.1 % of households with access to basic level of sanitation by 30 June 2017	76% of households with access to basic level of sanitation by 30 June 2016	83.1% of households with access to basic level of sanitation by 30 June 2017	19%	83% of households with access to basic level of sanitation by 30 June 2018

Employees: Sanitation Services				
Job Level	Year 0			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0%
4 - 6	1	1	0	0%
7 - 9	5	5	0	0%
10 - 12	3	3	0	0%
13 - 15	17	17	0	0%
Total	26	26	0	0%

3.3 ELECTRICITY

In line with the Energy White Paper, cognisance is taken of the fact that many people in South Africa are living below the accepted poverty line and have a limited ability to pay for goods and services. The South African Government through Department of Energy (DOE) and the Integrated National Electrification Programme (INEP) are on a mission to have all the previously disadvantaged communities and households provided with the basic services, especially electricity. This also to reach Universal Access by 2025. This is in line with the NDP Mission.

Naledi Local Municipality on an annual basis, budgets and implements projects within the area of its jurisdiction through the conditional grants from National Government.

The DOE fund both the municipality and Eskom to electrify households. The service level is set currently at 1,8 Kva or 20 Amp while at Naledi LM is set at 2 Kva or 40 Amp.

The current backlog of households without electricity stands at 5000. The backlog is caused by unproclaimed land and the informal settlement. Some areas still need to be formalised and provided with other essential services. One informal settlement is at Ward 3, others at Ward 9 and 4. Rekgarathile is formalised but houses need to shift to proper sites allocated. The backlog at Extension 25, ward 7 will be eradicated in the current year

Streetlights have been provided in x 28 and 14 high mast lights were erected in greater Vryburg. A program of energy efficiency has already kicked off by replacing light bulbs with energy efficient stock.

BVI Consultants were appointed to conduct a feasibility study in Stella. The Naledi local Municipality is changing the network from copper conductor to Aluminium. A total of 500 houses are to be connected to the electrical grid in x 28 while 200 houses in Stella will be connected.

Colridge is in need of a meter replacement program as the meters are old and not accurate anymore.

Electricity Levels

DESCRIPTION	2013 – 2014	2014 – 2015	2015 – 2016	2016 – 2017
Above minimum level (Prepaid)				16000
Below minimum level	7500	6500	6000	5000

Capital Projects

FY	PROJECT NAME	HH	BUDGET	REVIEWED	EXPENDITURE
2013	Vryburg Ext 25 Phase 1	395	4,150		4,150
-	Vryburg Ext 25 new substation		11,000	3,300	14,300
2014					
	TOTALS	395	15,150	3,300	18,450
2014	Vryburg Ext 25 Phase 2	364	4,000		4,000
-	Vryburg Ext 25 new substation P2		4,000		4,000
2015					
	TOTALS	364	8,000		8,000
2015	Extension 25 Phase 3	242	2,662		2,662
	Extension 28 P1	500	5,500		5,500
2015	Extension 25 Substation		3,338		3,338
-	Vryburg Main Intake		3,500		3,500
2016					
	TOTAL	742	15,000		15,000
2016					
	Extension 28 Phase 2	877	11,000	1,725	9,000
2016	Extension 28 Bulk Line		3,000		3,000
-	Vryburg Main Intake		4,000		2,500
2017					
	TOTALS	759	18,000	1,725	
2017	Extension 28 Phase 3	122	1,500		
	Extension 25	503	7,200		
2017	Vryburg Main Intake		5,400		
-	Rekgarathile	200	2,900		
2018	Stella Pre - Engineering		1,000		
	TOTAL	825	18,000		

The following target with regard to electricity emanate from the top layer SDBIP and departmental plans

Service Indicators (i)	Outline Service Targets (ii)	Year 0		Year 1	
		Target		Actual	Target
		*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)
% of households with access to basic level of electricity	82% of households with access to basic level of electricity by 30 June 2017	77.5% of households with access to basic level of electricity by 30 June 2016	82% of households with access to basic level of electricity by 30 June 2017	5%	82% of households with access to basic level of electricity by 30 June 2018

Employees: Electricity Services				
Job Level	Year 0			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0%
4 - 6	4	4	0	0%
7 - 9	5	5	0	0%
10 - 12	2	2	0	0%
13 - 15	12	12	0	0%
Total	23	23	0	0%

3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

Collection of refuse in house holds

Naledi Local Municipality is collecting house hold refuse on weekly basis in the following areas:

location	Number of house holds	frequency
Huhudi	5490	5 times
Vryburg town house holds	2348	4 times
kismet	194	1
Colridge	2002	3 times
Extension 25	3000	4 times

Kismet and colridge we have supplied with two wheel bins and using a compactor truck to collect refuse, if the compactor truck is broken we are unable to collect.

Huhudi, Extension 25, Vryburg Town house holds we are collection the plastic bags, we have not been able to supply the community with plastic bags.

CBD Refuse Collection Schedules:

CBD

Daily Collections (various food outlets).

The municipality has provided waste receptacles for all business outlets

Industrial site

At least once every week

There are weekly refuse collections (Tuesdays)

The Municipality has provided receptacles in this area.

Landfill site.

The Municipality is collecting data of refuse disposed at the landfill site on daily basis.

Monthly reporting to SAWIS.

Cupping is not daily performed due to lack of resources (Tipper Trucks and TLB's)

Compaction function is outsourced to a private service provider currently.

Transfer stations.

Of the two existing transfer stations, one is operational and the other not.

The relevant equipment for the one other facility is yet to be acquired.

One other mandate the municipality is charge with as a mandate is solid waste management services to the community.

All sectors, business and household receive refuse removal at least once a week.

A total of 19% of households are provided with weekly refuse removal as reported by the waste management section.

Service Indicators (i)	Outline Service Targets (ii)	Year 0		Year 1	
		Target		Actual	Target
		*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)
% of households with access to basic level of solid waste removal on a weekly basis	82% of households with access to basic level of solid waste removal on a weekly basis by 30 June 2017	77.5% of households with access to basic level of solid waste removal on a weekly basis by 30 June 2016	82% of households with access to basic level of solid waste removal on a weekly basis by 30 June 2017	19%	56% of households with access to basic level of solid waste removal on a weekly basis by 30 June 2018

Employees: Solid Waste Management Services				
Job Level	Year 0			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	1	1	0	0%
4 - 6	3	3	0	0%
7 - 9	2	2	0	0%
10 - 12	7	7	0	0%
13 - 15	38	38	0	0%
Total	51	51	0	0%

3.5 HOUSING

Housing Services: Future Plans 2017/2018

- **STELLA:**

The district municipality have done a process township establishment and the department of Human Settlement would provide with bulk services and provision of top structures for seven hundred (700) houses; however the implementation of the project will be done on phases. Phase one is three hundred (300) and phase two is four hundred (400).

The relocation of informal settlement to newly township establishment had done by Naledi Local Municipality and is in the final stage. The municipality is waiting for the department to finalise procurement and also appoint developers for the project.

- **BROEDERSPUT:**

The new demarcation transferred broedersput to Naledi Local Municipal sub region from Tswaing Local Municipality and have been allocated forty one (41) housing top structure to be built. The municipality is waiting for the department to finalise procurement and also appoint developers for the project.

- **GEDULDSPAN**

The department of Rural Development and Land Reform has approved the transfer of Geduldspan to Naledi Local Municipality of portion 11 of the farm Groot Verdriet IN and the remaining extent of portion 5 (geduldspan), and has been allocated eighty four (84) housing top structure to be built, and the municipality is waiting for the department to finalise procurement and also appoint developers for the project.

ACHIEVEMENTS

1000 HOUSING PROJECT BY TORO YA AFRIKA DEVELOPERS

During the year 2012, a project of building 1000 houses commenced by Toro ya Afrika, and the work was completed on the on 2015. All procurement is done by the department of Human Settlement, the municipality only provide with business plan and land for the development, and the contractor is appointed by the department as the municipality is beneficiary.

1500 HOUSING PROJECT BY BARZANI DEVELOPERS

On the year 2014, Barzani developers kick started another project of 1500 houses. The project was completed during the year 2017 and all procurement was done by the department of human settlement. The municipality provided the department with land for the houses to be built and also with business plans since it is a beneficiary.

503 HOUSING PROJECT BY TORO YA AFRIKA DEVELOPERS

The project of 503 started as far back as the year 2008, and till now is under construction. Whilst considering housing applications of that period, the number of potential beneficiaries increased to the point whereby the municipality experience the mushrooming of informal settlement. To the extent, the communities occupied the houses that were first built by Khasu engineering Developers and due to compliance of NHBRC regulation the houses were declared improper by MEC of Local Government. Though the court order was issued to the illegal occupants and it delays the developers to complete on time, because the remaining illegal occupants don't want to evacuate for the demolishing of those houses.

Attached find the copy of the court order and progress report on complains lodged by the office of the Premier regarding housing disputes by the communities.

800 DELAPITADED HOUSING PROJECTS BY MERON DEVELOPERS

The project was meant to reconstruct dilapidated houses which comprises of Huhudi and Colridge. Of the total of eight hundred, six hundred was allocated for Huhudi and two hundred for Colridge. The challenge of the project for it to be stopped is due to the fact that the tittle deed holder would be deceased and the applicant would be the heir of the property whilst it still reflect the name of the deceased person, and still not transferred due to lack of funds and the applicants will be classified as indigent. The department of Local Government have a programme to legitimise owner by tittle deed restoration project which will star soon.

CHALLENGES

- The housing section is experiencing everyday challenges of resources to carry out the mandate of key performance indicators in the work plan.
- Resources such as fleet, workforce, equipment and stationary.
- The other challenge is to monitor the evacuation and demolishing of shacks at all informal settlement around Naledi sub region areas.

Employees: Housing Services				
Job Level	Year 0			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	1	1	0	0%
4 - 6	2	2	0	0%
7 - 9	2	2	0	0%
10 - 12	0	0	0	0%
13 - 15	0	0	0	0%
Total	5	5	0	0%

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

In terms of Free Basic Services, Naledi has been providing a total number of 4201 households with Free Basic Services (Refer to indigent list).

The Council of Naledi Local Municipality took a decision on the 31st of March 2017 to decrease the initial amount of R6000 to R2300 minimum wage per household, except for social grant when drawing up the budget for 2017-2018.

The last update of indigents that qualified was registered in February 2016. During the 2016-2017 financial year no new indigents was registered as there was a council decision that stated there should be a process to data cleanse information on the system before new registrations can be accepted.

The process of registering new indigents has started as planned for the 2017-2018 financial year.

The following target with regard to free basic services emanate from the top layer SDBIP.

Service Indicators (i)	Outline Service Targets (ii)	Year 0		Year 1	
		Target		Actual	Target
		*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)
% of households with access to free basic services	28.8% of households with access to free basic services by 30 June 2017	7.30% of households with access to free basic services by 30 June 2016	28.8% of households with access to free basic services by 30 June 2017	19%	30% of households with access to free basic services by 30 June 2018

COMPONENT B: ROAD TRANSPORT

This component includes: roads; transport; and waste water (stormwater drainage).

3.7 ROADS

BACKGROUND

The National Department of Transport (DoT), as part of the S'HambeSonkeProgramme, has provided grant funding for the implementation of Road Asset Management Systems (RAMS) as set out in the framework for the Rural Road Asset Management System Grant (RRAMS), Division of Revenue Act (DORA). The strategic goal of the RRAM Grant is to ensure efficient and effective investment in rural roads through the development of Road Asset Management Systems (RAMS) and the collection of associated road and bridge inventory data, condition assessments and traffic information. Improved data on rural roads will guide infrastructure investment, improve accessibility to and mobility of rural communities.

RRAMS grant funding has been allocated to forty four (44) district municipalities.

PURPOSE OF THE PROJECT

The purpose of RRAMS Grant is to assist the rural district municipalities to set up rural RAMS, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA).

PROJECT STATUS QUO REPORT

Roads Ownership and Extent of the Network

The roads network within the DRSMMDM area of jurisdiction is under the ownership of the authorities from all spheres of government as follows:

- South African National Roads Agency (SANRAL);
- North West Provincial Department of Public Works, Road and Transport (DPWRT); and
- Local Municipalities.

Local Municipalities are responsible for municipal roads and streets within its area of jurisdiction. The extent and ownership of roads network within the Naledi area of jurisdiction can be summarised in the Table below.

Road Network Classification

RISFSA Road Classes	Road Network Owner	Lengths (Km)
		Naledi
Class 1	SANRAL	178
Class 2	DPWRT / SANRAL	101

Class 3	DPWRT	230
Class 4	LM	727
Class 5	LM	177
Class 6	LM	193
Total		1606

Pavement Visual Assessments

Trained assessors carried out visual condition surveys on the surfaced and gravel road networks. A standardised system of rating the degree and extent of various distresses is used in which surfacing defects, structural defects and functional aspects are recorded.

The pavement visual assessments were undertaken on both Class 4 and Class 5 road network. The total length of surfaced roads assessed was 314km and the total length of gravel roads assessed was 5 891Km. Therefore a total of 6 205km of the Class 4 and Class 5 DRSMMDM road network was assessed. This translates to only 5.1% of the assessed network being surfaced and the rest of network, i.e. 94.9%, being gravel. The breakdown of extend of road network that was assessed is indicated in the Table below.

Extend of Assessed Road Network

Road Status	RISFSA Classes	Road	Lengths (Km)
			Naledi
Surfaced	Class 4		62
	Class 5		27
Gravel	Class 4		137
	Class 5		871
	Total		1097

Summary of the number of different types of stormwater structures in the Naledi municipal road network is indicated in the Table below.

Summary of the Stormwater Structures

Type of the Structure	Number of Structures
	Naledi
Bridges	0
Major	1

Culverts	
Minor Culvert	21
Total	22

The Municipality has constructed 9km of Roads in Huhudi, Colridge and Rekgarathile and daily routine maintenance for surface and gravel roads. The project has created job opportunity for local community of Naledi. Currently we are constructing 3km of Road in Vryburg Ext 25: taxi Route ,at Broedersput will construct 3km on 17/18

Gravel Road Infrastructure				
	Total Gravel Roads	New Gravel Roads Constructed	Gravel Roads Upgraded to paving	Gravel roads graded/maintained
14-15	1034.254km	0	3km	8km
15-16	1031.254km	0	9km	12km
16-17	1022	0	9km	15km

Paved and Tarred Road Infrastructure				
	Total Gravel Roads	New Gravel Roads Constructed	Gravel Roads Upgraded to tar	Gravel roads graded/maintained
14-15	1034.254km	0	3km	8km
15-16	1031.254km	0	9km	12km
16-17	1022	0	9km	15km

The following target with regard to roads emanate from departmental plans

Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		Previous Year		Previous Year	Current Year		Current Year	Current Year	Following Year
(i)	(ii)	15km	9km	15km	15km	15km	15km	15km	15km

Employees: Roads Services				
Job Level	Year 0			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	1	1	0	0%
4 - 6	2	2	0	0%
7 - 9	6	6	0	0%
10 - 12	4	4	0	0%
13 - 15	22	22	0	0%
Total	35	35	0	0

3.8 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

Naledi Local Municipality do not have transport components nor have capacity to establish transport forums. Transport functions at both district Municipality and its locals are coordinated with the assistance of the Integrated Development Planning units of the Department of Community Safety and Transport Management.

Lack of budget and service delivery needs and priorities of communities such as provision of housing, electricity, water and sanitation is the reason why we do not have these components.

The Department of Community Safety and Transport Management commissioned Aganang Consulting Engineers (ACE) to develop the third generation of the district Integrated Transport Plan (D-ITP) for Dr. Ruth Segomotsi Mompati District. Their scope of work includes formation of the D-ITP for the district and five (5) Local Integrated Transport Plan's (L-ITP's) for the local municipalities as well as implementation plans. The project commenced on 08 September 2015 and according to the Service Level Agreement (SLA) it was projected that it will be finalised on 07 September 2018.

CHALLENGES

The current status is that the data from the last generation of Operating Licensing Strategy (2007-2013) and Rationalisation plan (2007-2013) is out-dated. Travel patterns have changed drastically at the district level, and these changes are caused by land use developments such as new settlements, government administrative and commercial centres in Vryburg and other areas.

Non-availability of the above strategies affects the operations of the Provincial Regulatory Entity (PRE). PRE rely on updated Operating Licensing Strategy (OLS) to issue, decline or rationalise taxi operating licenses in a volatile environment particularly in Vryburg Town and surrounding areas like Taung and Ganyesa. The Department held various meetings with Taxi Associations and operators who operates from and into Vryburg with the view that operating licenses to be issued in future be route based to nullify the unfair radius based operating licenses.

3.9 WASTE WATER (STORMWATER DRAINAGE)

Introduction to storm water drainage

Naledi Local Municipality as part of its mandate and functions perform stormwater operations and projects, and has Constructed Storm water pipe and maintained all the channels.

During the 2016/17 financial year, Naledi Local Municipality constructed 120m length of Storm water at Matopie Street.

Morekuri Loojwa was appointed for the Upgrading of Access Roads in Greater Vryburg Phase 1B and they constructed 905m at Jomo Khasu Street of storm water pipe. The Municipality bought a 250m of pipe to use for maintenance.

Storm water Infrastructure				
	Total Storm water measures	New Storm water measures	Storm water measures upgraded	Storm water measures maintained
14-15	0	0	0	0
15-16	905	905	905	1km
16-17	120	120	120	1,5km

Cost of Construction/ Maintenance				R 000
	Storm water Measures			
	New	Upgraded	Maintained	
14-15	0	0	0	
15-16	R11 800.00	0	0	
16-17	R57 900.00	0	0	

The following target with regard to storm water emanate from departmental plans

Service Indicators (i)	Outline Service Targets (ii)	Year 0		Year 1	
		Target		Actual	Target
		*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)
Number of KMs of storm water drainage installed in addition to current ones	1 KMs of storm water drainage installed in addition to current ones by 30 June 2017	New	1 KMs of storm water drainage installed in addition to current ones by 30 June 2017	0.5km	0,5 KMs of storm water drainage installed in addition to current ones by 30 June 2018

Employees: Storm water Services				
Job Level	Year 0			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	1	1	0	0%
4 - 6	2	2	0	0%
7 - 9	6	6	0	0%
10 - 12	4	4	0	0%
13 - 15	22	22	0	0%
Total	35	35	0	0

Capital Expenditure : Stormwater Services					
Capital Projects	16-17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Upgrading of Access Roads in Greater Naledi Phase II	R12 000 000	R13 000 000			

The Municipal to budget for Maintenance and Storm water Construction of new Storm water in Kismet Avenue and Colridge.

Broedesput project will construct 100m of Storm water ad Calvet.

Paving of Vryburg Ext 25: Taxi Route will construct 60m of Storm water pipe and calvet channel.

COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

3.10 PLANNING

INTRODUCTION TO TOWN PLANNING AND BUILDING CONTROL

Planning serves as an important element in that it allows for employment of tools in ensuring efficient and effective delivery of an envisaged product and subsequent management or control thereof, within allocated resources and statutory provisions.

The Town Planning and Building Control Unit regulate land use, outdoor advertising as well as building development, with intention of creating an efficient and effective urban environment. Planning has a direct impact on several directorates/components of the municipality, which include *inter-alia* the following:-

1. Public Transportation Planning
2. Human Settlement
3. Finance or revenue
4. Local Economic Development (Tourism and Marketing)

Planning is mainly shaped by the Spatial Planning and Land Use Management Act 16 of 2013 (also referred to as 'SPLUMA') as well as other subsidiary tools and frameworks mentioned hereinafter, as applied by the Unit to the extent they relate to planning:-

1. The Constitution of the Republic of South Africa Act 108 of 1996;
2. The National Building Regulations and Building Standards Act 103 of 1977;
3. National Environmental Management Act 107 of 1998 (NEMA);
4. Local Government: Municipal Systems Act 32 of 2000;
5. Spatial Development Frameworks (National, Provincial and Local SDFs);
6. Land Use Schemes, relevant bylaws etc.

Top Planning priorities include:-

1. Render planning services uniformly, efficiently and effectively.
2. Strive to attain spatially efficient, healthy and sustainable human settlements;
3. Promote the development of local economy and tourism.

Some of the achievements in respect of planning and building control include:-

1. Timeous evaluation of planning and building development applications;
2. Proclamation of Municipal Planning Tribunal in compliance with the adopted bylaw and SPLUMA;
3. Expedited the processing of township establishments to facilitate housing provision.

Land Use and Development Applications								
Detail	Land Applications	Development	Land Use Applications		Built Environment Applications		Outdoor Applications	Advertising
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Planning applications received	1	1	93	68	111	120	4	7
Determination made in year of receipt	1	-	80	57	77	71	4	7
Applications made in following year	-	-	14	-	15	-	-	-
Applications withdrawn	-	-	2	-	-	-	-	-
Applications outstanding at year end	-	-	9	8	19	49	-	-

Employees: Town Planning				
Job Level	Year 0			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	1	1	0	0%
4 - 6	0	0	0	0%
7 - 9	1	1	0	0%
10 - 12	0	0	0	0%
13 - 15	0	0	0	0%
Total	2	2	0	0

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

Local economic development (LED) is seen as one of the most important ways of decreasing poverty. Local economic development must aim to create jobs by making the local economy grow. This means that more businesses and factories should be started in the municipal area.

As part of the IDP, key stakeholders come together to reach agreement and take decisions to make the economy grow and create income opportunities for more people, especially the poor.

National government makes policy and provides funds, research and other support for local economic development.

Current LED situation in Naledi

In terms of Local Economic Development, agriculture and hunting are the strongest contributors to the municipality's economy.

Naledi enjoys unique advantages in relation to other municipalities within the Dr Ruth Segomotsi Mompati District Municipality and the North West Province.

Among these are:

- Its unique location at the intersection of two major national roads – the N14 linking the region with the province of Gauteng, the hub of economic activity in southern Africa; and the N18 which connects with the provincial capitals of the Northern Cape (Kimberley) and the North West (Mahikeng) and further into Botswana. This road also forms the Western Frontier Corridor designated by the North West Province.
- Exploring opportunities to develop Vryburg into a transport hub for the movement of goods and services into the rest of southern Africa – especially Botswana;
- Strengthening Vryburg's status as the district capital with a vibrant and revitalised central business district (CBD) and adjacent industrial area;
- Leveraging the district's current leadership position in cattle breeding – "the Texas of Africa" – and enhance opportunities for trading and auctioneering;
- Unlocking the potential for rapid growth in the hunting, game trading and eco-tourism industries;

As part of developing a new LED strategy for Naledi Local Municipality which will be in line with council's vision, mission and objectives the following vision is proposed in terms of LED:

"To establish Naledi as an integrated regional economic node that is focused on intelligent support for business and community development embedded in a sustainable green environment."

The LED Unit's departmental strategic focus for the past year was to put more emphasis on the enhancement and development of the Youth existing and emerging Cooperatives and SMMEs.

The department has ensured that partnerships with other relevant stakeholders or partners in business development and support, including SEDA, NAFCOC, CIDB are established.

Job creation through EPWP* projects		
Details	EPWP Projects No.	Jobs created through EPWP projects No.
Year 0	Basic services and LED	294

Employees: Local Economic Development Services				
Job Level	Year 0			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	1	1	0	0%
4 - 6	1	1	0	0%
7 - 9	3	3	0	0%
10 - 12	0	0	0	0%
13 - 15	0	0	0	0%
Total	5	5	0	0

COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

3.12 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

LIBRARIES, ARCHIVES, MUSEUMS, GALLERIES, COMMUNITY FACILITIES AND OTHERS

Naledi Local Municipality is having seven libraries which are Vryburg Library, Huhudi Library, Colridge Library, Stella Library, Devondale Library, Joe Morolong Hospital and Dithakwaneng Library. All these libraries are functional.

ROLE OF LIBRARIES

Their role is to provide relevant information to all the communities of Naledi. Most of the library services are for free except photocopying which is 50 cents per copy.

FUTURE PLANS

To see all libraries providing free internet services in the form of WI-Fi.

CHALLENGES

1. The conditional Grant that is received from the Department of Culture, Arts, and Traditional Affairs is not spent according to the Business Plan.
2. All libraries are not well maintained.
3. No sustained IT Technician.
4. No enough professional staff.

ACHIEVEMENTS

1. Revamping and extension of the Vryburg Library.
2. In terms of activities we have not achieved much.

CAPITAL PROJECT

1. Extension of the Vryburg Library to about R 3 million.
2. Building of a new Stella library in the 2017/18 Financial Year to the tune of between R 7 - R 10 million.

EMPLOYEES: LIBRARIES

POST LEVEL	EMPLOYEES NUMBER	POST NUMBER
07 - 09	07	09
13 - 15	04	14

3.13 CEMETORIES AND CREMATORIUMS

CEMETERIES AND CREMATORIUMS

Naledi Local Municipality is having about seven cemeteries in its area of jurisdiction. All seven cemeteries are functional even though two of them are full but only used for top on top burials and opening of reserved graves. The seven cemeteries are Vryburg Cemeteries, Huhudi Old Cemetery, Huhudi New Cemetery (Monoto Mosetlho), Colridge Old Cemetery, Colridge New Cemetery, Stella Cemetery and Devondale Cemetery. At Dithakwaneng there is a cemetery that is administered by the Tribal Office and at Broedersput which is now falling in our Municipality there is also a cemetery.

There are no crematoriums in our area.

ROLE OF THE CEMETERIES

The main objective of this section is provision of graves and erection of tombstones. The tariff for the purchase of graves is not the same. At Vryburg Cemetery the price for an adult grave is R 754.00 and the child grave is R 380.00 but at the other cemeteries the price for adult grave is R 432.00 and the child grave is R 222.00. For the erection of tombstones is R 330.00 across the board.

FUTURE PLANS

As the Municipality we intend to establish a cemetery at Extension 29 in order to serve people who are staying at Extension 25 and 28.

CHALLENGES

1. The Colridge New Cemetery is about to be full and we don't have a piece of land to establish a new one in Colridge.
2. Most of our cemeteries are not fenced and as a result most of the tombstones are vandalised.
3. There are no ablution blocks and storerooms in all the cemeteries except the Stella Cemeteries.
4. Shortage of personnel.
5. Shortage of machinery and equipment for digging the graves.
6. A vehicle that is assigned to Cemeteries.

ACHIEVEMENTS

1. Cater for the indigents and paupers by providing free graves.
2. Provision of graves for funerals.

EMPLOYEES: CEMETERIES AND CREMATORIUMS

JOB LEVEL	EMPLOYEES NUMBER	POST NUMBER
07 - 09	01	08
10 - 12	01	10
13 - 15	05	14

Due to the fact that Broedersput is now falling under the jurisdiction of Naledi Local Municipality we found that a new cemetery need to be established as the current one is full. The piece of land has been identified so the process of establishing the new one is underway.

3.14 FIRE

The Naledi Local Municipality is responsible for the provision of firefighting service throughout its area of jurisdiction and its functions include:

- Planning, co-ordination and regulating fire services
- Specialised firefighting services such as mountain, veld and chemical fire services
- Co-ordination of the standardisation of infrastructure, vehicles, equipment and procedures
- Training fire officers
- Preventing the outbreak or spread of a fire
- Fighting or extinguishing a fire
- The protection of life or property against a fire or other threatening danger
- The rescue of life or property from a fire or other danger

Details	Year - 1	Year 0	Year 0	Year 1
	Actual No	Estimate No	Actual No	Estimate No
Total fires attended to	137	141	141	142
Total of other incidents attended in the year	52	54	54	55
Average turnout time – urban areas	60 sec	60 sec	60 sec	60 sec
Average turnout time – rural areas	60 sec	60 sec	60 sec	60 sec
Fire fighters in post at year end	16		15	15
Total fire appliances at year end	06		06	

CHALLENGES: RENDERING OF FIRE SERVICES

- Financial constraints hampering daily operations
- No funding towards development of appliances and equipment
- Relationship between the local municipality and district municipality needs to improve securing better service delivery
- Protective gear of fire fighters is redundant and needs to be procured.
- Development of Fire services from Stella Town needs to be secured as the development of a fire house and appointment of staff is overdue.

Employees: fire and disaster				
Job Level	Year 0			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	3	3	0	0%
4 - 6	10	10	0	0%
7 - 9	6	6	0	0%
10 - 12	4	4	0	0%
13 - 15	1	1	0	0%
Total	24	24	0	0

COMPONENT H: SPORT AND RECREATION

This component includes information on sports and recreation

3.15 SPORT AND RECREATION

As part of the Municipality's mandate and functions, sports and recreation facilities are maintained and upgraded by Naledi Local Municipality.

The highlights for the 2016-2017 financial are as follows:

Opened "training centres" for U13, U11 and U9 in both revamped sport facilities (Huhudi and Colridge). The facilities are opening their doors to school children and provide them with coaching in various sport codes. A challenge lies in the consistency of the coaches. Although a CWP stipend has been arranged for the coaches, it is not enough to bind them to the program.

An agreement has been found between the NLM and Colridge primary school concerning the usage of their netball court in the program of the training centres.

In cooperation with FAMSA and Sus Solar, a basketball league was established between the schools who offer basketball for their students in Naledi

A departmental league was started, but did not find its finish due to a lack of commitment from the departments.

In cooperation with a NGO and road running SA, the sport Unit has organized a stadium to stadium run in which participants could choose from a 5km, 10 km and 21.9 km (half marathon). Due to a lack of interest from community members, we had to cancel it.

The sport unit has run the sport program in the Naledi local Municipality Wellness week

In cooperation with a NPO, a school/mayoral league is prepared.

The sport Unit is in a final stage of approval to establish a Amandla Safe Hub (www.edufotball.org) in Vryburg. The Safe-Hub is a model for youth development that has proven to be effective in addressing some of the persistent national and global development challenges. Through a social franchise system the model has been refined in preparation for implementation at scale. The Safe-Hub has five key functions:

1. To facilitate collaboration of holistic youth development between public, non-governmental and corporate sector.
2. To provide young people with daily access to a Safe-Hub of holistic learning and personal development through a football-based after-school programme.

3. To provide young people with access to the services, opportunities and support needed to transition into meaningful employment, education or training, including fully accredited NQF Level 4 learnership qualifications (**PlayMaker Programme**).
4. To provide access to an e-learning, educational and citizen's services internet network through a free-WIFI zone.
5. To be the anchor of local football development aligned with SDA's master plan, providing SAFA Emerging Talent Centres as well as support and facility usage on weekends for the Local Football Associations and for the development of FUTSAL five-a-side football.

A SAFA D license was held for unqualified coaches in the Dr RSM district. The Sports unit assisted in the logistics and availing of facilities.

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

3.16 FINANCIAL SERVICES

The Finance department is responsible to provide budgetary and financial management Services in the Municipality.

Its core functions are:

- Budgeting, Supply Chain Management and Reporting,
- Revenue and Debtor Management services,
- Expenditure and Assets Management Services, and
- Financial Accounting

Naledi Local Municipality has suffered financial constraints over the past few years which resulted in insufficient alignment between the IDP and the Budget.

One of the primary objectives of Council is to build a sustainable and effective Naledi Municipality. In the management of the finances priority attention is given to the areas of maximizing revenue and the effective management of the municipality's assets.

The following target with regard to finance emanate from the top layer SDBIP

Service Indicators	Outline Service Targets	Year 0		Year 1	
		Target		Actual	Target
		*Previous Year	*Current Year		*Current Year
(i)	(ii)	(v)	(vi)	(vii)	(viii)
% of revenue collected on a quarterly basis	92% of revenue collected on a quarterly basis by 30 June 2017	90% of revenue collected on a quarterly basis by 30 June 2016	92% of revenue collected on a quarterly basis by 30 June 2017	96%	50% of revenue collected on a quarterly basis by 30 June 2017
% of the total allocated MIG grant funding spent	100% of the total allocated MIG grant funding spent by 30 June 2017	100% of the total allocated MIG grant funding spent by 30 June 2016	100% of the total allocated MIG grant funding spent by 30 June 2017	100%	100% of the total allocated MIG grant funding spent by 30 June 2018
% of the total allocated INEP grant funding spent	100% of the total allocated INEP grant funding spent by 30 June 2017	100% of the total allocated INEP grant funding spent by 30 June 2016	100% of the total allocated INEP grant funding spent by 30 June 2017	73%	100% of the total allocated INEP grant funding spent by 30 June 2018

% of Capital budget spent on capital projects	100% of Capital budget spent on capital projects by 30 June 2017	100% of Capital budget spent on capital projects by 30 June 2016	100% of Capital budget spent on capital projects by 30 June 2017	100%	100% of Capital budget spent on capital projects by 30 June 2018
% indicating ratio of debt coverage according to legislated formula	29% indicating ratio of debt coverage according to legislated formula by 30 June 2017	36% indicating ratio of debt coverage according to legislated formula by 30 June 2016	29% indicating ratio of debt coverage according to legislated formula by 30 June 2017	45%	13.8% indicating ratio of debt coverage according to legislated formula by 30 June 2018
% indicating ratio of debt coverage according to legislated formula	37% indicating ratio of debt coverage according to legislated formula by 30 June 2017	52% indicating ratio of debt coverage according to legislated formula by 30 June 2016	37% indicating ratio of debt coverage according to legislated formula by 30 June 2017	13%	31.7% indicating ratio of debt coverage according to legislated formula by 30 June 2018
Ratio cost coverage according to legislated formula	0.1 Ratio cost coverage according to legislated formula by 30 June 2017	0.2 Ratio cost coverage according to legislated formula by 30 June 2016	0.1 Ratio cost coverage according to legislated formula by 30 June 2017	2.6	0.1 Ratio cost coverage according to legislated formula by 30 June 2018

Employees: Financial Services				
Job Level	Year 0			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	7	7	0	0%
4 - 6	10	10	0	0%
7 - 9	18	18	0	0%
10 - 12	0	0	0	0%
13 - 15	0	0	0	0%
Total	35	35	0	0

3.17 HUMAN RESOURCE SERVICES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Affirmative Action			
3	Code of Conduct for employees	✓	✓	28 March 2013
7	Employee Assistance / Wellness	✓	✓	28 March 2013
8	Employment Equity	✓	✓	28 March 2013
11	HIV/Aids	✓	✓	28 March 2013
13	Information Technology	✓	✓	28 March 2013
14	Job Evaluation			
15	Leave	✓	✓	28 March 2013
16	Occupational Health and Safety	✓	✓	28 March 2013
20	Official Working Hours and Overtime	✓	✓	28 March 2013
23	Performance Management and Development	✓	✓	28 March 2013
24	Recruitment, Selection and Appointments	✓	✓	28 March 2013
27	Sexual Harassment	✓	✓	28 March 2013
28	Skills Development	✓	✓	28 March 2013
29	Smoking	✓	✓	28 March 2013
32	Uniforms and Protective Clothing	✓	✓	28 March 2013

The following target with regard to HR emanate from the top layer SDBIP

Service Indicators	Outline Service Targets	Year 0			Year 1
		Target		Actual	Target
		*Previous Year	*Current Year		*Current Year
		(v)	(vi)	(vii)	(viii)
Number of personnel appointed from employment equity target groups employed in the three highest levels of management	1 Personnel appointed from employment equity target groups employed in the three highest levels of management by 30 June 2017	1 Personnel appointed from employment equity target groups employed in the three highest levels of management by 30 June 2016	1 Personnel appointed from employment equity target groups employed in the three highest levels of management by 30 June 2017	1 person appointed, but not in line with numerical goals	3 Personnel appointed from employment equity target groups employed in the three highest levels of management by 30 June 2016

Service Indicators	Outline Service Targets	Year 0		Year 1	
		Target		Actual	Target
		*Previous Year	*Current Year		*Current Year
		(v)	(vi)	(vii)	(viii)
(i) % of budget spent on implementing of workplace skills plan	(ii) 0,3% of budget spent on implementing of workplace skills plan by 30 June 2017	(v) 0,26% of budget spent on implementing of workplace skills plan by 30 June 2016	(vi) 0,3% of budget spent on implementing of workplace skills plan by 30 June 2017	(vii) 0.33%	(viii) Report on 100% of the 0.13% of budget spent on implementing of workplace skills plan by 30 June 2018

Employees: Human Resource Services				
Job Level	Year 0			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	3	3	0	0%
4 - 6	2	2	0	0%
7 - 9	4	4	0	0%
10 - 12	0	0	0	0%
13 - 15	0	0	0	0%
Total	9	9	0	0

3.18 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services.

Information Communication Technology (ICT) Governance has been described as the effective and efficient management of ICT resources and processes to facilitate the achievement of Municipal goals and objectives. The ICT Governance Institute describes ICT Governance as, "...the responsibility of the board of directors and executive management."

ICT Governance has risen in importance because of the widening gulf between what the organization expects and what ICT delivers. ICT has grown to be seen as a cost centre with growing benefits to the organisation ICT serves. A Governance of ICT framework is meant to align ICT functions to the organizational goals, minimise the risk ICT introduces and ensure that there is value in the investment made in ICT.

Information Technology Situational Analysis at Naledi Local Municipality

Resources

Fully fledged IT structure
Basic Internet Line
Old servers
Incompatible spares (1995 – 2005 pcs)
No IT budget

Infrastructure

1. Basic LAN infrastructure
2. Basic/Free firewall system
3. Outdated Servers Hardware and software (2003, 2008)
4. Basic 2mb Line for internet access
5. Using computers as servers
6. No backup server

Backlogs

- Shortage of Pcs
- Shortage of Printers
- Shortage of Servers
- Shortage of Radio Links
- Shortage of Backup disaster recovery plan for servers
- No Volume licences for Windows and Office
- Shortage of spares for repairs.
- Shortage of tools.

- No Spare Pcs
- Shortage of network switches
- internet line is not sufficient enough to carter all officials

Employees: Information Technology Services				
Job Level	Year 0			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0%
4 - 6	4	4	0	0%
7 - 9	0	0	0	0%
10 - 12	0	0	0	0%
13 - 15	0	0	0	0%
Total	4	4	0	0

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

This component includes the Annual Performance Scorecard (Top Layer) Report for the 2016-2017 financial year.

IDP Objective	Key Performance Area	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance of Annual Target	Reasons for variance (Under/over achievement)	Remedial Action/Corrective Measure	Portfolio of Evidence	Reference
To ensure the implementation of legislated powers and functions	Municipal transformation and organisational development	Number of quarterly reports from each Sect 56 Manager with PoE submitted within 10 days after the end of each quarter as well as mid-term and annual reports submitted within 10 days after the end of the period.	Reports submitted late and lacking sufficient Portfolio of evidence	4 Compiled quarterly reports from each Sect 56 Manager with PoE submitted within 10 days after the end of each quarter as well as mid-term and annual reports submitted within 10 days after the end of the period. Corrective measures described in the report. (1 each quarter)	4 quarterly reports per Sect 56 Manager including PoE's signed off by Manager Planning and Compliance and verified by Internal Audit (1 each quarter)	<u>Target achieved</u> 4 Quarterly reports with PoE submitted from each Executive Manager within 10 days after the end of each quarter. Mid-term and Annual report submitted from each Executive Manager within 10	N/A	N/A	PMS register and Quarterly performance reports, Mid-term report and Annual report	A

IDP Objective	Key Performance Area	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance of Annual Target	Reasons for variance (Under/over achievement)	Remedial Action/Corrective Measure	Portfolio of Evidence	Reference
						days				
To ensure the implementation of legislated powers and functions	Municipal transformation and organisational development	Number of monthly back to Basics Reports submitted to COGTA by the 15th of each month	All reports submitted	12 Back to Basics Monthly Reports submitted to COGTA by the 15th of each month	12 Back to Basics Monthly Reports submitted to COGTA by the 15th of each month	<u>Target not achieved</u> 12 monthly back to basics reports submitted to COGTA according to COGTA format (3 each quarter), however not all were submitted by the 15 th of each month	No formalised system of timely reporting	Develop a system of timely reporting	12 Monthly back to basic reports	B
To ensure the implementation of legislated powers and	Good governance and public participation	Unqualified audit report from the Auditor General 31 December	Unqualified Audit Opinion from AG by	Unqualified Audit Opinion from the Auditor General by 31 December 2016	Unqualified Audit Opinion from AG	<u>Target achieved</u> Unqualified audit opinion	N/A	N/A	AG Report 2015-2016	C

IDP Objective	Key Performance Area	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance of Annual Target	Reasons for variance (Under/over achievement)	Remedial Action/Corrective Measure	Portfolio of Evidence	Reference
functions		2017.				received from the AG				
To Maximise Revenue Opportunities	Municipal financial viability	% of revenue collected on a quarterly basis	90% of revenue collected on a quarterly basis	92% of revenue collected on a quarterly basis by the 30 June 2017	Improve revenue collected to 92% on a quarterly basis	<u>Target achieved</u> 96% revenue collected	N/A	N/A	Debtors report	D
To Maximise Revenue Opportunities	Municipal financial viability	New service level agreement between Municipality and Province regarding vehicle licensing function signed and submitted to council	Current service level agreement has lapsed	New service level agreement signed and submitted to council by the 30th of June 2017	New service level agreement signed and submitted to council by the 30th of June 2017	<u>Target not achieved</u> New draft service level agreement developed but not agreed upon	New draft service level agreement developed and not agreed upon as the Municipality owe the provincial department money.	Repayment agreement to be negotiated with the provincial department and agree on new service level agreement terms.	Memo for non-achievement, council resolution and Draft service level agreement	E

IDP Objective	Key Performance Area	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance of Annual Target	Reasons for variance (Under/over achievement)	Remedial Action/Corrective Measure	Portfolio of Evidence	Reference
		by the 30th of June 2017								
To Maximise Revenue Opportunities	Municipal financial viability	Number of reports on library grant funding spent according to library business plan by 30 June 2017	The current grant was not spent as per business plan	4 Reports on library grant funding spent according to library business plan by 30 June 2017	4 Reports by the 30th of June 2017	<u>Target not achieved</u> Expenditure Reports on library grant funding spent completed	Library grant funding spent, however not according to business plan because after running consumed most of the grant	To ensure that library expenditure is in line with the business plan	Expenditure reports	F
To promote uninterrupted Basic Service Delivery	Basic service delivery and infrastructure investment	% of the total allocated MIG grant funding spent by 30 June 2017	100%	100% of initial gazetted MIG grant funding spent by 30 June 2017	100% of gazetted MIG grant funding spent by 30 June 2017	<u>Target achieved</u> 100% of initial MIG grant funding spent	N/A	N/A	Expenditure reports	G

IDP Objective	Key Performance Area	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance of Annual Target	Reasons for variance (Under/over achievement)	Remedial Action/Corrective Measure	Portfolio of Evidence	Reference
To promote uninterrupted Basic Service Delivery	Basic service delivery and infrastructure investment	% of the total allocated INEP grant funding spent by 30 June 2017	100%	100% of initial gazetted INEP grant funding spent by 30 June 2017	100% of gazetted INEP grant funding spent by 30 June 2017	<u>Target not achieved</u> 73% of initial INEP grant funding spent	Delay in payment vouchers	Payment vouchers to be received on time	Expenditure reports	H
To report on the National General Key Performance Indicators	Basic service delivery and infrastructure investment	% of households with access to basic level of water by 30 June 2017	94%	97% of households with access to basic level of water by 30 June 2017	97% of households with access to basic level of water (district function) by 30 June 2017	<u>Target not achieved</u> 32% households with access to basic level of water	Target for 2016-2017 set on a very high level, therefore the target was not achieved	Target to be set in realistic terms in the 2017-2018 financial year	Report	I
To report on the National General Key Performance Indicators	Basic service delivery and infrastructure investment	% of households with access to basic level of sanitation by 30 June 2017	76%	83% of households with access to basic level of sanitation by 30 June 2017	83.1% households with access to basic level of sanitation by 30 June 2017	<u>Target not achieved</u> 19% households with access to basic level of	Target for 2016-2017 set on a very high level, therefore the target was not	Target to be set in realistic terms in the 2017-2018 financial year	Report	J

IDP Objective	Key Performance Area	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance of Annual Target	Reasons for variance (Under/over achievement)	Remedial Action/Corrective Measure	Portfolio of Evidence	Reference
						sanitation	achieved			
To report on the National General Key Performance Indicators	Basic service delivery and infrastructure investment	% of households with access to basic level of electricity by 30 June 2017	77.5%	82% of households with access to basic level of electricity by 31 March 2017	82% of households with access to basic level of electricity by 31 March 2017	<u>Target not achieved</u> 5% households with access to basic level of electricity	Target for 2016-2017 set on a very high level, therefore the target was not achieved	Target to be set in realistic terms in the 2017-2018 financial year	Report	K
To report on the National General Key Performance Indicators	Basic service delivery and infrastructure investment	% of households with access to basic level of solid waste removal on a weekly basis	77.5%	82% of households with access to basic level of solid waste removal by 30 June 2017	82% of households with access to basic level of solid waste removal by 30 June 2017	<u>Target not achieved</u> 19% households with access to basic level of solid waste removal	Due to lack of budget and insufficient assets in terms of vehicles, the Municipality could not meet the target as required.	Municipality to budget for the procurement of additional waste trucks in order to deliver services to more households.	Memo for non-achievement and monthly reports	L
To report on the National	Basic service delivery and	% of households	7.30%	28.8% of households with	28.8% of households	<u>Target not achieved</u>	The	Update	Council resolution	M

IDP Objective	Key Performance Area	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance of Annual Target	Reasons for variance (Under/over achievement)	Remedial Action/Corrective Measure	Portfolio of Evidence	Reference
General Key Performance Indicators	infrastructure investment	with access to free basic services		access to free basic services by 30 June 2017	with access to free basic services by 30 June 2017	19% of households provided with Free basic services	council resolved that the indigent minimum wage amount should be decreased from R6000 to R2300 per household, except for social grants beneficiaries.	the indigents register in 2017-2018 financial year.	and indigent register	
To report on	Municipal	% of	100%	100% of Capital	100% of	Target	N/A	N/A	Expenditu	N

IDP Objective	Key Performance Area	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance of Annual Target	Reasons for variance (Under/over achievement)	Remedial Action/Corrective Measure	Portfolio of Evidence	Reference
the National General Key Performance Indicators	financial viability	Capital budget actually spent on capital projects by 30 June 2017		budget actually spent on capital projects (25% each quarter) by 30 June 2017	Capital budget actually spent on capital projects (25% each quarter) by 30 June 2017	<u>achieved</u> 100% of Capital budget actually spent on capital projects			re report	
To report on the National General Key Performance Indicators	Local Economic Development	Number of jobs created through municipality's local economic development initiatives including capital projects by 31 March 2017	390 Jobs created through LED and Capital projects	120 jobs created through municipality's local economic development initiatives including capital projects by 31 March 2017	120 jobs created through municipality's local economic development initiatives including capital projects by 31 March 2017	<u>Target exceeded</u> 294 jobs created through municipality's local economic development initiatives including capital projects (Technical department	Due to an additional MIG allocation received from National Treasury and Department of Cooperative Governance	N/A	Employment contracts and report	O

IDP Objective	Key Performance Area	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance of Annual Target	Reasons for variance (Under/over achievement)	Remedial Action/Corrective Measure	Portfolio of Evidence	Reference
)				
To report on the National General Key Performance Indicators	Municipal transformation and organisational development	Number of personnel appointed from employment equity target groups employed in the three highest levels of management by 30 June 2017	1 person from employment equity target groups employed in the three highest levels of management	1 person appointed from employment equity target groups employed in the three highest levels of management by 30 June 2017	1 person appointed from employment equity target groups employed in the three highest levels of management by 30 June 2017	<u>Target not achieved</u> 1 person not appointed from employment equity group as per approved employment equity plan	The target could not be achieved as appointment made was not in line with the numerical goals set by the municipality	Approved numerical goals to be adhered to by appointing authorities	memo indicating reasons for non-achievement	P
To report on the National General Key Performance Indicators	Municipal transformation and organisational development	% of budget spent on implementing of workplace skills plan by 30 June 2017	0.26%	0,3% of budget spent on implementing of workplace skills plan by 30 June 2017	0.3% of budget spent on implementing of workplace skills plan by 30 June 2017	<u>Target achieved</u> Budget for training set at R1.3 million which is 0.33% of the total	N/A	N/A	Workplace skills plan budget and spending report	Q

IDP Objective	Key Performance Area	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance of Annual Target	Reasons for variance (Under/over achievement)	Remedial Action/Corrective Measure	Portfolio of Evidence	Reference
						operating budget of R 404,098,000.00				
To report on the National General Key Performance Indicators	Municipal financial viability	Financial viability Ratio 1 – Debt Coverage	36%	29% indicating ratio of debt coverage according to legislated formula	29% indicating ratio of debt coverage according to legislated formula	<u>Target not achieved</u> 45 % (Total operating revenue(R506,016,194) - Operating Grants (R 94,409,821)/Current liabilities (R4,509,572)	The budget and treasury unit experienced problems with the financial system, as a result various financial reports could not be finalised on time	Ensure that the municipality fully implements an effective financial systems to avoid such problems in the next financial year	Extract from financial statement showing where figures are derived from and memo for non-achievement	R
To report on the National General Key	Municipal financial viability	Financial viability Ratio 2 –	52%	37% indicating ratio of debt coverage	37% indicating ratio of debt	<u>Target not achieved</u>	The budget and	Ensure that the municipali	Extract from financial	S

IDP Objective	Key Performance Area	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance of Annual Target	Reasons for variance (Under/over achievement)	Remedial Action/Corrective Measure	Portfolio of Evidence	Reference
Performance Indicators		Outstanding service debtors to revenue		according to legislated formula	coverage according to legislated formula	13 % (Consumer Debtors - R 40,455,917 Service Charges- R 311,138,201)(Service debtors/Service Charges)	treasury unit experienced problems with the financial system, as a result various financial reports could not be finalised on time	ty fully implements an effective financial systems to avoid such problems in the next financial year	statement showing where figures are derived from and memo for non-achievement	
To report on the National General Key Performance Indicators	Municipal financial viability	Financial viability Ratio 3 – Cost Coverage	0.2	0.1 Ratio cost coverage according to legislated formula	0.1 Ratio cost coverage according to legislated formula	<u>Target not archived</u> 2.6 Cash and Cash Equivalents (R13,054,035)/Fixed Operational	The budget and treasury unit experienced problems with the financial system,	Ensure that the municipality fully implements an effective financial systems to avoid such	Extract from financial statement showing where figures are derived from and memo for	T

IDP Objective	Key Performance Area	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance of Annual Target	Reasons for variance (Under/over achievement)	Remedial Action/Corrective Measure	Portfolio of Evidence	Reference
						Cost (R 503,018,192)	as a result various financial reports could not be finalised on time	problems in the next financial year	non-achievement	
To report on key indicators of National Treasury	Good governance and public participation	Number of quarterly reports on key indicators by 30 June 2017	New	4 Reports with all indicators of National Treasury addressed (1 each quarter) by 30 June 2017	Number of quarterly reports on key indicators by 30 June 2017	<u>Target not achieved</u> Reports with indicators of National Treasury not addressed	Difficulty in populating the template received as the document is not user friendly.	Municipality to liaise with National Treasury and receive clarity on consistent reporting and template thereof.	N/A	U

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

The main objective of this key performance area is to ensure institutional capacity and administrative support to the Municipality in order to deliver its mandate.

The Corporate Services department is responsible to provide transformation and organisational developmental Services in the Municipality.

Its core functions are:

- Human Resource Management
- Skills Development
- Legal Services
- Information Technology
- Registry
- Labour Relations
- Sound administrative support to Council

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

Naledi Local Municipality employs a total of **432** permanent employees as at the end of June 2017.

In addition to the permanent employees the Municipality also employs **21** interns, **260** capital workers and **181** EPWP workers.

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

RECRUITMENT PROCESS

The new Council placed a Moratorium in September 2016 on all new appointments from October 2016 due to bloated organogram and the high salary bill which was 39,7%. The Mayor waived the moratorium on the appointment of Traffic officials who were interviewed in January and February 2016 due to the legislative nature of the appointments.

FILLING OF POSITIONS – S56

The position of Municipal Manager became vacant on 30 November 2016.

The position of Executive Manager: Technical Services became vacant on the 3rd of March 2017.

The recruitment process of the position of Municipal Manager is concluded. The Successful candidate was appointed effectively from 01 July 2017.

The position of Executive Manager: Technical Services was declared vacant on the 31st of March 2017. This position was advertised on the 25th of June 2017 and the closing date for interested candidates was 24 July 2017. Dates for shortlisting and Interview will be set in consultation with the Panel.

POLICY WORKSHOPS

Four (4) crucial policies were selected to be reviewed. These policies are:

- 1) Long Service Policy
- 2) Recruitment and Selection Policy
- 3) Vehicle Allowance Policy
- 4) Overtime Policy

A policy workshop was held on the 29th of March 2017. All four policies were on the agenda, but due to time constraints only the Long Service Policy and Recruitment and Selection policy were handled.

JOB EVALUATION REPORT

The Job Evaluation process started in 2013 with the compilation of up to date Job Descriptions. The Job Evaluation Committee for the entire District was established, consisting of 2 members from each

Municipality in the District and with the Manager: Human Resources of Dr. Ruth S Mompoti District Municipality as the Chairperson of the Committee.

Approximately 288 jobs were evaluated by the District Job Evaluation Committee.

The valuation results, all signed job descriptions, the Organogram and Council Resolutions on the adoption of the Job Evaluation Policy were submitted to the Provincial Audit Committee.

After auditing the final report will be presented to the Municipal Manager, who will take it to Council for adoption.

The auditing of the Job Evaluation of Naledi Local Municipality has been delayed due to the following reasons:

- The Provincial Auditing Committee has not convened since February 2017.

SALGA North West and SALGA National have been contacted in this regard, so that the process can be expedited.

DISCIPLINARY CASES DURING THE 2016-2017 FINANCIAL YEAR

For the financial year 2016/2017 twenty two (22) cases of misconduct were attended to. Sixteen (16) cases were finalized, two (2) are in processes, two are kept on hold and one (1) is awaiting documents from the Hawks.

NATURE OF ALLEGED MISCONDUCT	PROGRESS
Fraud, Gross Dishonesty,	In Process
Gross Dishonesty	Matte Finalized/Not Guilty
Gross Dishonesty	In Process
Gross Dishonesty	Still in process
Gross Dishonesty	Still in process
Gross Dishonesty	Final Written Warning
Gross Dishonesty	Matter dismissed
Absent without Leave	Verbal Warning
Absent without Leave	Verbal Warning
Absent without Leave	Verbal Warning
Absent without Leave	Final Written Warning
Absent without Leave	Final Written Warning
Absent without Leave	Verbal Warning
Fraudulent Medical Certificate	Dismissal
Fraud	Waiting on the Outcome
Fraud	Awaiting Documents from Hawks
Gross Negligent	Final Written Warning
Gross Negligent	Final Written Warning
Gross Negligent	Final Written Warning
Gross Negligent	Final Written Warning
Gross Negligent/Fraud	Final Written Warning
Gross Negligent/Fraud	Final Written Warning

DISPUTES REFERRED BY EMPLOYEES TO SALGBC AND CCMA FOR 2016/2017 FINANCIAL YEAR

Forty six (46) cases were referred by employee to Bargaining Council (SALGBC) and the CCMA due to termination of contracts against the Institute. The occurrence of these disputes came as result of employment contracts of Extended Public Workers Programmes (EPWP) and Capital Workers coming to an end. The said employees were not satisfied with the decision taken hence they referred the matter to CCMA and Bargaining Council.

Of the Forty six (46) cases referred, thirty six (36) cases are termination of employment contract and ten (10) were unfair labour practice. Out of forty six (46) dispute cases twelve (12) case are finalized.

No	NATURE OF DISPUTE	REFEREED TO	DATE CONCILIATION	PROGRESS
1	Section 186(2)(a)/Termination of Contract	Bargaining Council		Finalized
2	Unfair Dismissal	Bargaining Council		Finalized
3	Section 186(1)(b)(i)/Termination of Contract	Bargaining Council		Finalized
4	Termination of Contract	Bargaining Council		Finalized
5	Unfair Dismissal	Bargaining Council	08 June 2017	In Progress
6	Section 186(1)(a)	CCMA	17 May 2017	withdrawn
7	Unfair Dismissal	CCMA	06 July 2017	In Progress
8	Section 198 B	CCMA	09 November 2016	In Progress
9	Section 198 b (Fixed Term Contract)	Bargaining Council	25 May 2017	In Progress
10	Section 198 b (Fixed Term Contract)	Bargaining Council		In Progress
11	Section 186 (1)(a) termination	CCMA	24 July 2017	In Progress
12	Unfair Dismissal/ Section 198B	Bargaining Council		In Progress
13	Section 198B	Bargaining Council		In Progress
14	Section 198 b (Fixed Term Contract)	Bargaining Council		In Progress
15	Section 198 b (Fixed Term Contract)	Bargaining Council	23 June 2017	In Progress
16	Section 198 b (Fixed Term Contract)	CCMA		In Progress
18	Section 198 b (Fixed Term Contract)	Bargaining Council	07 July 2017	In Progress
19	Section 198B	CCMA	14 July 2017	In Progress

No	NATURE OF DISPUTE	REFEREED TO	DATE CONCILIATION	PROGRESS
20	Section 198 b (Fixed Term Contract)	Bargaining Council		In Progress
21.	Section 198 b (Fixed Term Contract)	Bargaining Council		In Progress
22.	Unfair Dismissal	CCMA		Compensated
23.	Section 198 b (Fixed Term Contract)	CCMA	24 July 2017	Compensated
24.	Unfair Dismissal/Termination of Contract	CCMA	24 July 2017	In Progress
25	Section 198 B/termination of contract	CCMA	05 July 2017	In Progress
26	Dismissal	Bargaining Council		In Progress
27	Section 198B Fixed Term Contract	CCMA	27 July 2017	In Progress
28	Termination of Contract with or without notice	CCMA	16 August 2017	In Progress
29	Termination of Contract	CCMA	02 August 2017	Compensated
30	Termination OF Contract	Bargaining Council		In Progress
31	Termination of Contract	CCMA	18 August 2017	In Progress
32	Termination of Contract	Bargaining Council	04 September 2017	In Progress
33.	Termination of Contract	Bargaining Council	14 August 2017	In Progress
34	Termination of Contract	Bargaining Council		In Progress
35	Section 198B (Fixed Term Contract)	Bargaining Council	04 September 2017	In Progress
36	Section 198 b (Fixed Term Contract)	Bargaining Council	25 May 2017	In Progress
37	Unfair Labour Practice-Salary Disparities	Bargaining Council	08 June 2017	In Progress
38	Unfair Labour Practice Salary disparities	Bargaining Council	08 June 2017	In Progress
39	Unfair Labour Practice –Post Level	Bargaining Council	25 May 2017	In Progress
40	Unfair Labour Practice-Benefits	Bargaining Council		In Progress

No	NATURE OF DISPUTE	REFEREED TO	DATE CONCILIATION	PROGRESS
41	Unfair Labour Practice	Bargaining Council	08 June 2017	In Progress
42	Unfair Practice: Appointment	Bargaining Council		Finalized
43	Unfair Practice: Appointment	Bargaining Council		Finalized
44	Salary disparities	Bargaining Council		Finalized
45	Unfair Dismissal- Salary Disparities	Bargaining Council	08 June 2017	In Progress
46	Salary Disparities	Bargaining Council		Finalized

Number and Period of Suspension			
Position	Nature of Alleged Misconduct	Date of suspension	Details of Disciplinary Action taken or Status of Case and reason why not Finalised
Deputy Manager: Revenue	Fraud, Gross Dishonesty	02 March 2016	Matter put on hold. Pending the investigation against the Senior Managers
Clerk: Customer Care	Gross Dishonesty	28 February 2016	Employee found not guilty/ Finalised
Senior Clerk Data	Gross Dishonesty	29 January 2016	Matter put on hold. . Pending the investigation against the Senior Managers
Senior Electrician	Gross Dishonesty	09 March 2016	Still in process. Not finalised due to the investigator not willing to testify due to none payment
Clerk debt Collector	Gross Dishonesty	07 March 2017	Still in process. Not finalised due to the investigator not willing to testify due to none payment
Senior Controller Rates & Taxes	Gross Dishonesty	01 March 2016	Matter dismissed/ Finalised
Waste Section	Intimidation, fighting and/or assault.	29 June 2017	Matter finalised
Waste Section	Intimidation, fighting and/or assault	29 June 2017	Matter finalised
Contract Worker	Gross Negligent/Fraud	1 March 2016	Final Written Warning/ finalised
Plant Operator	Gross Negligent/Fraud	01 March 2016	Final Written Warning/ Finalised
Accountant Billing	Gross Negligent	21 March 2016	Charges Withdrawn
Contract Worker	Corruption/Fraud	07 March 2016	Dismissed/ Finalised

Disciplinary Action Taken on Case of Financial Misconduct		
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken
Deputy Manager: Revenue	Fraud, Gross Dishonesty	Matter put on hold.
Clerk: Customer Care	Gross Dishonesty	Employee found not guilty/ Finalised
Senior Clerk Data	Gross Dishonesty	Matter put on hold.
Senior Electrician	Gross Dishonesty. R 2 337,211.26	Still in process.
Clerk debt Collector	Gross Dishonesty	Still in process.
Senior Controller Rates & Taxes	Gross Dishonesty	Matter dismissed/ Finalised
Contract Worker	Gross Negligent/Fraud	Final Written Warning/ finalised
Plant Operator	Gross Negligent/Fraud	Final Written Warning/ Finalised
Accountant Billing	Gross Negligent	Charges Withdrawn
Contract Worker	Corruption/Fraud	Dismissed/ Finalised
Traffic Officer	Fraud	Waiting on the Outcome

4.1 PERFORMANCE REWARDS

During the 2016-2017 financial year, no performance bonuses/rewards were paid by Naledi Local Municipality.

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

The Municipal Systems Act of 2000 S68 (1) requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.

4.2 SKILLS DEVELOPMENT AND TRAINING

Naledi Local municipality is committed to abide to the Skills Development Legislations such as Skills Development Act; Employment Equity Act; National Skills Development Strategy III; Human Resource Development Strategy for South Africa; and all other regulations affecting skills development. In light of this, we managed to equip our workforce with necessary skills (even under the tight budget) to enable them to deliver quality services to our community. We also made it our business to equip our unemployed youth with skills which would enable them to be employable in both public and private sector, and also to start their small corporative. Through the funding received from Local Government Sector Education and Training Authority in a form of Discretionary Grant and Mandatory Grant, and with the assistance from others stakeholders such as Municipal Infrastructure Support Agent and SALGA the municipality was able to deliver capacity building interventions, entailed in the report below:

Occupation	Female	Male	Budget	Programme
MM and S57	None	None	N/A	N/A
Legislators, Senior Officials and Managers	15	33	R1 999.99 (municipal coffers) R57 000.00 (LGSETA) 30 000.00 (LGSETA) 30 000.00 (LGSETA)	License Testing Project Management Council Induction Programme MFMP (Treasury) VIP People Planning & Management for infrastructure & Engineering Services (MISA) Post-Grad Diploma- Public Management SAICA Certificate
Professionals	3	4	R5 130.00 (municipal coffers)	<ul style="list-style-type: none"> o VIP Training o Project Management o Traffic Diploma
Clerks	17	6	R50 400.00 (LGSETA) R10 800.00 (LGSETA) R7500.00 (Municipal Coffers) R6700.00 (Municipal Coffers) R8200.00 (Municipal Coffers) R28 030.00 (Municipal Coffers)	Business Administration Local Economic Development Honours Degree Cost Management Accounting Certificate in Economic Management science Degree in Public Management BA Degree in Development and Management

Occupation	Female	Male	Budget	Programme
Service and Sales Workers	1	13	R19 152.00 (LGSETA) R344 875.43 (Municipal Coffers)	Plumbing Traffic Diploma
Plant Machine Operators and Assembles	None	None	N/A	N/A
Elementary Worker	20	41	R102 600.00 (LGSETA) R 34 200.00 (LGSETA) R162000.00 (LGSETA)	Building and Civil Engineering Construction Roadworks Water Wastewater process controller Horticulture and Gardening (AGriSETA Funded) Environmental Practice

CHAPTER 5 – FINANCIAL PERFORMANCE

Naledi Local Municipality has suffered financial constraints over the past few years which resulted in insufficient alignment between the IDP and the Budget.

One of the primary objectives of Council is to build a sustainable and effective Naledi Municipality. In the management of the finances priority attention is given to the areas of maximizing revenue and the effective management of the municipality's assets.

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The audited Annual Financial Statements for the 2016-2017 financial year are included in this report as an annexure. (Refer to Volume II)

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement must be audited annually by the Auditor-General.

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS

Overview of Auditor General reports for the past 5 years

On an annual basis the Auditor General evaluates the Municipality based on its finances and performance thereof. The Auditor General evaluates whether the Municipality can account for its finances, and evaluates the level of reported service delivery performance. They also see whether the Municipality is doing its business according to what legislation is saying, with the major focus being the Municipal Finance Management Act.

Financial Year	Overall Audit Opinion
2011/2012	Disclaimer
2012/2013	Unqualified with findings
2013/2014	Unqualified with findings
2014/2015	Unqualified with findings
2015/2016	Unqualified with findings

Though Naledi Local Municipality has received good audit outcomes in the past 4 financial years, major issues are still faced by the Municipality such irregular and wasteful expenditure as well as pre-determined objectives. The Municipality has developed the Audit Action plan to address major findings by the Auditor General and is working on improving audit outcomes. The current cash flow situation puts the Municipality in a difficult situation with regard to achieving a clean audit as the Municipality's income is less than its expenses, leaving the Municipality in a budget deficit.

COMPONENT B: AUDITOR-GENERAL OPINION

The Naledi Local Municipality received a qualified audit opinion on the financial statements for the 2016-2017 financial year and both form part of this report as annexures (Annexure B and Volume II).

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES:

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief Financial Officer states that these data sets have been returned according to the reporting requirements.

Signed (Chief Financial Officer).....

Dated: 30/9/18

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give " <i>full and regular</i> " reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe " <i>what we do</i> ".
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General performance indicators	Key After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.

Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and

	express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

APPENDICES

APPENDIX A – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE

NALEDI LOCAL MUNICIPALITY
ANNUAL REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE FOR THE
FINANCIAL YEAR ENDED 30 JUNE 2017

We are pleased to present our report for the financial year ended 30 June 2017.

1. Audit and Performance Committee Responsibility

The Audit and Performance Committee (APC) report that it has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The APC also reports that it has adopted appropriate formal terms of reference as its Audit and Performance Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

2. Audit and Performance Committee members and attendance

The APC, consisting of independent outside members, met at least four times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises.

Initials and Surname	Position	Meetings Attended
SAB Ngobeni	APC Chairperson	3 of 5
G. Ramorwesi	APC Chairperson (Resigned on 19 May 2017)	2 of 5
T. Berend	APC Member	5 of 5
O. Jacobs	APC Member	4 of 5
D. Mongwaketse	APC Member	5 of 5
F. Mudau	APC Member	4 of 5

3. The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the municipality revealed certain weaknesses, which were then raised with the municipality.

There are several deficiencies in the system of internal control and/or deviations there were reported by the internal auditors and the Auditor-General South Africa (AGSA). In certain instances, the matters reported previously have not been fully and satisfactorily addressed. The APC notes management's commitment to correct the deficiencies. During the year under review there was consistent monitoring of action plans and progress.

4. In-Year Management and Monthly/Quarterly Report

The municipality has monthly and quarterly reporting system to the Council as required by the Municipal Finance Management Act (MFMA). Monitoring and reviews of performance information were periodically in the year under review.

5. Performance Management

The APC reviewed the functionality of the performance management system and it appears to be functional, however there is a room for improvement in so far as material findings in respect of the usefulness and reliability of selected development priorities is concerned and increasing capacity within the performance management unit.

6. Risk Management

The APC is of the opinion that the municipality's risk management appears to be ineffective as reported by AGSA as management has not implemented appropriate risk management activities to ensure that regular risk assessments, including fraud prevention plan, are conducted effectively and risk strategies to address the risks are developed and monitored.

7. Compliance with laws and regulations

A number of non-compliance with the enabling laws and regulations were revealed by Internal Audit during the year. Thus there is room for improvement in so far as establishing an effective system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

8. Internal Audit

The APC is satisfied with the effectiveness of Internal Audit, and commend Management and Council for capacitating this unit. The above conclusion is based on:

- Reviewal with management and approval of the Internal Audit Charter, strategic and operational plans, internal audit activities, staffing (including competence and qualifications), and organisational structure of the Internal Audit activity;
- Implementation of the approved annual internal audit plan and all major changes to the plan.
- There were no unjustified restrictions or limitations on work of the internal audit activity.
- Review with the Chief Audit Executive the internal audit budget, resource plan, activities, and organisational structure of the internal audit activity;
- Compliance with the International Standards for the Professional Practice of Internal Auditing by the internal audit activity.
- Implementation of remedial action plan on internal audit findings by management.

9. External Audit

The APC did review AGSA's proposed audit scope and approach, including coordination of audit effort with internal audit in respect of the 2016/17 financial year; and on a regular basis, met separately with AGSA to discuss any matters that the committee or auditors believe should be discussed privately.

Furthermore, the APC evaluated management responses to the reports or findings of the AGSA on a quarterly basis.

10. Audit Outcome

The APC concurs with the qualified audit opinion. The APC urges Management to develop clean audit strategy with the objective of attainment of sustainable clean audit opinion supported by high impact service delivery. Furthermore, the said clean audit

strategy should focus mainly on root-causes, findings, consequence management and recommendations as proposed by the AGSA.

11. Progress in implementation of AGSA findings from prior year

Not all of the prior year audit findings were addressed by management. There is room for improvement in this regard and APC recommend to the municipality to fast-track the implementation of recommendations by AGSA.

12. Progress on implementations of Internal audit recommendations

Not all of the internal audit recommendations were implemented by management. There is room for improvement in this regard and thus, APC recommend to the municipality to fast-track the implementation of recommendations by Internal Audit.

13. Implementations of Audit and Performance Committee Recommendations by management

Not all of the APC recommendations were implemented by management. There is room for improvement in this regard and thus, APC recommend to the municipality to fast-track the implementation of recommendations by APC.

14. Progress on implementations of Risk Mitigation Actions

A number of risk mitigation actions were not implemented by management. There is room for improvement in this regard and thus, APC recommend to the municipality to fast-track the implementation of risk mitigations measures.

15. Progress on implementations of Risk Management Committee (RMC) recommendations

Not all of the RMC recommendations were implemented by management. There is room for improvement in this regard and thus, APC recommend to the municipality to fast-track the implementation of recommendations by the Risk Management Committee.

16. Review of the Draft Annual Financial statements

The APC did review the draft annual financial statements before submission to the external auditors for audit.

17. Review of Draft Annual Performance Report

The APC did review the draft annual performance report before submission to the external auditors for audit.

18. Consequence Management

The APC urged management to develop a consequence management framework for implementation.

19. Combined Assurance Framework

The APC urged management to develop a combined assurance framework.

20. Conclusion

The Audit and Performance Committee wishes to acknowledge the commitment from Council, management and staff of the municipality. The stability in terms of the political and administrative leadership of the municipality has contributed to these improvements reported above. We would also like to thank the Mayor for his support, Councillors, senior management for their efforts and internal audit for their contribution.

A handwritten signature in black ink, consisting of the letters 'SAB' followed by a stylized surname, all enclosed within an oval shape.

SAB Ngobeni (Mr)
Chairperson of the Audit and Performance Committee
Naledi Local Municipality
06 January 2018

APPENDICES

APPENDIX B – AUDITOR GENERAL REPORT 2016-2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the auditor-general to the North West provincial legislature and the council on the Naledi Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Naledi Local Municipality set out on pages 177 to 251, which comprise of the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Naledi Local Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

Basis for qualified opinion

Property plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment due lack of implemented controls by the municipality to ensure that all infrastructure assets exist, land is separately recorded in the accounting records and no asset register being available for work-in-progress. I was unable to confirm these assets by alternative means. In addition, the municipality did not correctly account for depreciation in accordance with GRAP 17, *Property, plant and equipment* due to inconsistencies in the useful lives used in the calculation and work-in-progress completed but not depreciated. I was unable to quantify the full impact of the misstatement and the impact on the depreciation expense as it was impracticable to do so. Consequently, I was unable to determine whether any further adjustment relating to property, plant and equipment of R775 333 853 (2016: R764 305 144) disclosed in note 3 and to depreciation and amortisation of R35 892 345 disclosed in note 28 to the financial statements was necessary.

Receivables from non-exchange transactions

4. The municipality did not assess other debtors for conditions of impairment in accordance with GRAP 104, *Financial Instruments*, as the municipality did not maintain adequate records of these balances. In addition, the municipality did not assess receivables from non-exchange



transactions, traffic fines in accordance with iGRAP 1, *Applying the Probability Test on Initial Recognition of Revenue*. I was unable to determine the full extent of the overstatement of other debtors and understatement of impairments as it was impracticable to do so.

5. The municipality did not correctly record receivables from non-exchange transactions as the municipality recognised these balances in the wrong financial period. Consequently, accumulated surplus was understated and receivables from non-exchange was overstated by R2 254 464.

Consumer debtors

6. The municipality did not assess consumer debtors in accordance with GRAP 104, *Financial Instruments*, as the municipality over impaired debtors at the reporting date. In addition, there was a quantifiable difference between the financial records and the underlining debtors subledger for consumer debtors. Consequently, consumer debtors was understated by R4 688 001 and service charges are understated by the same amount.
7. The municipality did not present as a minimum on the face of statement of financial position, receivables for exchange transaction and receivables from non-exchange transactions in accordance with GRAP 1, *Presentation of Financial Statements*. Property rates receivable to the amount of R5 870 701 (2016: R4 979 515) was disclosed as part of consumer debtors on the face of the statement of financial position. Consequently, consumer debtors are overstated and receivables from non-exchange transactions are understated by R5 870 701 (2016: R4 979 515).

VAT receivable

8. I was unable to obtain sufficient appropriate audit evidence for VAT receivable, as the municipality did not have adequate systems in place to account for reconciliations as well as adjustments made by the South African Revenue Services to VAT201 returns submitted. I was unable to confirm the balance by alternative means. Alternative procedures performed, indicated that VAT was not claimed for certain expenditure items, however I was unable quantify the full extend of the misstatement as it was impracticable to do so. Consequently, I was unable to determine whether any further adjustment to the VAT receivable of R32 670 327 disclosed in note 7 to the financial statements was necessary.

Other income

9. The municipality did not account for contingent liabilities correctly as required by GRAP 19, *Provisions, Contingent Liabilities and Contingent Assets* as a legal claim was recorded as a provision during the prior periods instead of a contingent liability. Furthermore, the municipality incorrectly reversed the provision in the current year to other income. Consequently, accumulated surplus and other income was overstated by R20 409 355.

Payables from exchange transaction

10. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions as the municipality did no maintain proper records of accounts payable. I was unable to confirm these payable by alternative means. In addition, payables from exchange transactions was understated by R12 866 278 as the municipality did not correctly account for debtors with credit balances, retentions, guarantees, expenditure not recorded and services rendered by suppliers which are currently under dispute not recorded as payables. Consequently, I was unable to determine whether any further adjustment to payables for exchange transactions of R437 892 808 as disclosed in note 15 to the financial statements was necessary.



Inventory

11. The municipality did not maintain adequate stock records to disclose inventory issued or received as part of inventory disclosure in accordance with *GRAP 12, Inventories*. I was unable to determine the full extent of the misstatement of disclosure of the inventory expense as it was impracticable to do so.

Service charges

12. The municipality did not correctly recognise all items of service charges in accordance with *GRAP 9, Revenue from Exchange Transactions* as not all transactions supported by billing reports were included in the financial records. Furthermore, the municipality did not correctly levy consumer debtors as incorrect tariffs were used for refuse, prepaid electricity, sewerage and sanitation as well as commission paid to the prepaid electricity service providers was incorrectly recorded against prepaid electricity income received instead of commission expenditure. Consequently, revenue from service charges was understated by R37 275 728, consumer debtors was understated with R20 974 454, payables from exchange transaction R12 144 278 overstated and commission paid understated by R4 156 995.

Property rates

13. The municipality did not correctly recognise revenue relating to property rates in accordance with *GRAP 23, Revenue from Non-exchange Transactions* due to various transactions being duplicated in the accounting records. Consequently, property rates and payables from exchange was overstated by R33 432 231.

Irregular expenditure

14. Section 125 of the MFMA requires the disclosure of irregular expenditure incurred. I was unable to obtain sufficient appropriate audit evidence for irregular expenditure relating to the previous years as no irregular expenditure register was provided. I was unable to confirm the irregular expenditure by alternative means. In addition, the municipality made payments of R26 516 839 in contravention with the supply chain management requirements which were not included in irregular expenditure disclosed. As the municipality did not quantify the full extent of the irregular expenditure, it was impracticable to determine the resultant understatement. Consequently, I was unable to determine whether any further adjustment relating to the irregular expenditure of R158 975 023 disclosed in note 45 to the financial statements was necessary.

Commitments

15. The municipality did not correctly disclosure commitments in terms of the accounting policy and as required by *GRAP 17, Property, plant and equipment*. Consequently, commitments as disclosed in note 37 to the financial statements was overstated by R27 674 228.

Context for the opinion

16. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
17. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
18. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.



Material uncertainty related to going concern/financial sustainability

19. I draw attention to the matter below. My opinion is not modified in respect of this matter.
20. I draw attention to note 42 in the financial statements, which indicates that the municipality incurred a net loss of R10 009 340 during the year ended 30 June 2017 and, as of that date the municipalities' current liabilities exceeded its current assets by R408 208 282. As stated in note 42, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the municipalities' ability to continue as a going concern.

Emphasis of matters

21. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

22. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2017.

Uncertainty relating to the future outcome of exceptional litigation

23. With reference to note 38 to the financial statements, the municipality is the defendant in a land-claim lawsuit. The municipality is opposing the claim, as it believes the claim to be fraudulent. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Unauthorised and fruitless and wasteful expenditure

24. As disclosed in note 43 to the financial statements, unauthorised expenditure of R28 227 765 was incurred in the current year and the unauthorised expenditure of R60 158 320 in respect of prior years had not yet been dealt with in accordance with section 32 of the MFMA.
25. As disclosed in note 44 to the financial statements, fruitless and wasteful expenditure of R35 127 494 was incurred in the current year and fruitless and wasteful expenditure of R61 832 324 from prior years had not yet been dealt with in accordance with section 32 of the MFMA.

Material losses

26. As disclosed in note 47 to the financial statements, material water losses to the amount of R7 934 847 (2016: R8 135 879) was incurred. Technical water losses amounted to R1 968 389 (2016: R2 323 016) and were due to aged infrastructure and provision of water without measuring consumption in all areas where water is provided by Naledi Local Municipality. Non-technical losses amount to R5 905 167 (2016: R5 142 954) and were due to natural losses.
27. As disclosed in note 29 to the financial statements, material losses to the amount of R33 595 819 (2016: R42 065 003) were incurred as a result of impairment of receivables from exchange and non-exchange transactions.

Other matter

28. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

29. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.



Responsibilities of the accounting officer for the financial statements

30. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA standards of GRAP and the requirements of the MFMA and the DoRA Act and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
31. In preparing the financial statements, the accounting officer is responsible for assessing the municipalities' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the municipality or to cease operations, or there is no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

32. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
33. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

34. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
35. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
36. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2017:

Development priorities	Pages in the annual performance report
Basic services and infrastructure Investment	125-128
Local economic development	129-129



37. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
38. The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

Basic services and Infrastructure Investment

39. I was unable to obtain sufficient appropriate audit evidence for the selected development priorities below, due to a lack of technical indicator description or formal standard operating procedures or documented systems descriptions that predetermined how the achievements would be measured, monitored and reported, as required by the Framework for managing programme performance information (FMPPi). I was unable to confirm that the reported achievements of these indicators was reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements:

- Basic services and Infrastructure Investment

Local economic development

40. I did not identify any material findings on the usefulness and reliability of the reported performance information for this development priority.

Other matter

41. I draw attention to the matter below.

Achievement of planned targets

42. Refer to the annual performance report on pages 122 to 133 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 39 to 40 of this report.

Report on audit of compliance with legislation

Introduction and scope

43. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
44. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Budget

45. Reasonable steps were not taken to prevent unauthorised expenditure of R28 227 765, as disclosed in note 43 to the financial statements, in contravention of section 62(1)(d) of the MFMA. All of the unauthorised expenditure was due to overspending of the total amounts appropriated for various votes in the approved budget.



Strategic planning and performance

46. The performance management system and related controls were inadequate as it did not describe how the performance planning, monitoring, measurement, review and reporting processes should be conducted as required by regulation 7(1) of the Municipal planning and performance management regulations.

Annual financial statements and annual report

47. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, current liabilities, revenue and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Revenue management

48. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2) of the MFMA.

Expenditure management

49. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
50. Effective steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance due to staff not adhering to SCM regulations.
51. Effective steps were not taken to prevent fruitless and wasteful expenditure of R35 127 494, as disclosed in note 44 to the financial statements, in contravention of section 62(1)(d). The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties raised by suppliers.

Asset management

52. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Procurement and contract management

53. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c).
54. Quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
55. Competitive bids were not always evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods and at least one SCM practitioner of the municipality, as required by SCM regulation 28(2).
56. Some of the contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations
57. Competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2). This non-compliance was identified in the procurement



processes for key projects for the upgrade of access roads in Greater Vryburg phase 1A and design and implementation of electrification in Vryburg ext. 28.

58. Some of the contracts and quotations were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
59. Some of the contracts and quotations were awarded to bidders based on functionality criteria that were not stipulated in the original invitation for bidding and quotations, in contravention of Preferential Procurement Regulations
60. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.
61. The performance of contractors or providers on key projects was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA..
62. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, in contravention of section 116(2)(c) of the MFMA.

Consequence management

63. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Other information

64. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected development priorities presented in the annual performance report that have been specifically reported on in the auditor's report.
65. My opinion and findings do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
66. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
67. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

68. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.
 - The municipality's leadership did not exercise adequate oversight over financial and performance reporting, compliance monitoring and related internal controls. Policies and procedures did not adequately guide financial, performance and compliance activities as consequence management measures were not fully implemented.



- Management's internal controls and processes over the preparation and presentation of financial statements, performance reports and compliance monitoring were not able to ensure that the reports were free from material misstatements and material deviations from legislation. Numerous financial registers and schedules submitted by management did not agree to amounts as per the financial statements, was not complete for all items recorded and management did not adequately ensure the collection, collation, verification, storing and reporting of actual performance information.
- The audit committee and internal audit fulfilled their functions, however, management did not adequately respond to the concerns raised by the audit committee, and did not implement all the recommendations made by internal audit resulting in the internal control environment over financial and performance information and compliance with laws and regulations being ineffective. The previous mentioned resulted that audit committee and internal audit could not positively impact on the audit outcome.

Auditor General
Rustenburg

30 November 2017



Auditing to build public confidence



Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priorities and on the municipalities’ compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipalities’ internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Naledi Local Municipality ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor’s report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.



APPENDICES

APPENDIX C –AUDIT ACTION PLAN

POST AUDIT ACTION PLAN - OPERATION CLEAN AUDIT REPORT - NALEDI LOCAL MUNICIPALITY 2016/17 (AR MATTERS)

NO	AUDIT FINDING	COMPONENT	AGSA CAUSE	PROPOSED SOLUTION	START DATE	END DATE	RESPONSIBLE OFFICIAL
Iss. 207	COF 25 [Iss. 207]: Cash and cash equivalent-Transfer letters partially received	Cash and cash equivalents	The municipality did not adhere to the internal control of authorising inter-banking transfers	Implement and monitor a control to ensure that all transfers between bank accounts are signed off as approval	01-Dec-18	31-Mar-18	Deputy Manager: Budget & Reporting
Iss. 05	COF 05 [Iss. 05]: Commitments- Variance between AFS, Note 36 and the Commitment register	Commitments	Proper records of the financial affairs of the municipality are not kept in accordance with prescribed standards	Redraft a commitments register supported by relevant contracts and variation orders and payments. Ensure that this is reviewed before inclusion the AFS	01-Dec-18	30-Jun-18	CFO/Assistant Manager SCM
Iss. 91	COF 14 [Iss. 91]: Commitments- Under/ Overstatement	Commitments	Management did not review the financial records to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Redraft a commitments register supported by relevant contracts and variation orders and payments. Ensure that this is reviewed before inclusion the AFS	01-Dec-18	30-Jun-18	CFO/Deputy Manager: Budget & Reporting/ Deputy Manager
Iss. 28	COF 05 [Iss. 28] Non-submission of information for RFI 21	RFI not submitted	Management does not have a sufficient delegation of authority in place to ensure that all individuals' duties are completed in their absence	Maintain and update the document management system to ensure proper filing and safeguarding of documents	01-Dec-18	30-Jun-18	CFO/Deputy Manager: Budget & Reporting/ Deputy Manager
Iss. 174	COF 21 [Iss. 174] Information not received for RFI 95, 96, 97, 98, 99 and 100	RFI not submitted	Management does not have a sufficient delegation of authority in place to ensure that all individuals' duties are completed in their absence	Maintain and update the document management system to ensure proper filing and safeguarding of documents	01-Dec-18	30-Jun-18	CFO/Deputy Manager: Budget & Reporting/ Deputy Manager
Iss. 193	COF 22 [Iss. 193]: Information not received for RFI 101 and 102	RFI not submitted	Management does not have a sufficient delegation of authority in place to ensure that all individuals' duties are completed in their absence	Maintain and update the document management system to ensure proper filing and safeguarding of documents	01-Dec-18	30-Jun-18	CFO/Deputy Manager: Budget & Reporting/ Deputy Manager Expenditure/Assistance Manager SCM/
COMPL	CONCLUSION - Compliance for Audit Report and Management Report	Compliance	Management did not comply with the relevant laws and regulations	Implement and monitor compliance checklist to ensure compliance to relevant legislation	01-Dec-18	30-Jun-18	Municipal Manager/ All heads of Department
COMPL AR	Reasonable steps were not taken to prevent unauthorised expenditure, all of the unauthorised expenditure was due to overspending of the total amounts appropriated for various votes in the approved budget	Budget	Management did not comply with the relevant laws and regulations	Review the adjustments budget and implement cost containment measures as far as possible	01-Dec-18	30-Jun-18	CFO/Deputy Manager: Budget & Reporting
COMPL AR	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material adjustments were allowed	Annual financial statements and annual report	Management did not comply with the relevant laws and regulations	Perform a Quality Review on the AFS before submission	01-Dec-18	30-Jun-18	CFO
COMPL AR	An effective system of internal control for debtors and revenue was not in place	Revenue management	Management did not comply with the relevant laws and regulations	Review controls in place and ensure compliance	01-Dec-18	30-Jun-18	Deputy Manager: Revenue
COMPL AR	Money owed by the municipality was not always paid within 30 days	Expenditure management	Management did not comply with the relevant laws and regulations	Implement cashflow enhancement strategies and collect outstanding debtors	01-Dec-18	30-Jun-18	Deputy Manager: Revenue/ Deputy Manager: Expenditure

POST AUDIT ACTION PLAN - OPERATION CLEAN AUDIT REPORT - NALEDI LOCAL MUNICIPALITY 2016/17 (AR MATTERS)							
NO	AUDIT FINDING	COMPONENT	AGSA CAUSE	PROPOSED SOLUTION	START DATE	END DATE	RESPONSIBLE OFFICIAL
COMPL AR	Effective steps were not taken to prevent irregular expenditure. The majority of the disclosed irregular expenditure was caused by non-compliance due to staff not adhering to SCM regulations	Expenditure management	Management did not comply with the relevant laws and regulations	Implement SCM checklist and ensure compliance to the designed controls on the checklist	01-Dec-18	30-Jun-18	Assistant Manager: SCM /CFO/ Municipal Manager
COMPL AR	Effective steps were not taken to prevent fruitless and wasteful expenditure. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties raised by suppliers.	Expenditure management	Management did not comply with the relevant laws and regulations	Implement cashflow enhancement strategies and collect outstanding debtors	01-Dec-18	30-Jun-18	Deputy Manager: Revenue/ Deputy Manager: Expenditure / CFO /Municipal Manager
COMPL AR	An effective system of internal control for assets was not in place	Asset management	Management did not comply with the relevant laws and regulations	Review controls in place and ensure compliance	01-Dec-18	30-Jun-18	Assistant Manager: SCM/ CFO
COMPL AR	Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations	Procurement and contract management	Management did not comply with the relevant laws and regulations	Inspect all expenditure transactions to ensure compliance to SCM Add non compliance matters to the register Implement SCM checklist and ensure compliance to the designed controls on the checklist	01-Dec-18	30-Jun-18	Assistant Manager: SCM /CFO / Municipal Manager
COMPL AR	Quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state	Procurement and contract management	Management did not comply with the relevant laws and regulations	Inspect all expenditure transactions to ensure compliance to SCM Add non compliance matters to the register Implement SCM checklist and ensure compliance to the designed controls on the checklist	01-Dec-18	30-Jun-18	Assistant Manager: SCM/ CFO
COMPL AR	Competitive bids were not always evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods and at least one SCM practitioner of the municipality	Procurement and contract management	Management did not comply with the relevant laws and regulations	Inspect all expenditure transactions to ensure compliance to SCM Add non compliance matters to the register Implement SCM checklist and ensure compliance to the designed controls on the checklist	01-Dec-18	30-Jun-18	Assistant Manager: SCM /CFO
COMPL AR	Some of the contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding	Procurement and contract management	Management did not comply with the relevant laws and regulations	Inspect all expenditure transactions to ensure compliance to SCM Add non compliance matters to the register Implement SCM checklist and ensure compliance to the designed controls on the checklist	01-Dec-18	30-Jun-18	Assistant Manager: SCM /CFO
COMPL AR	Competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2)	Procurement and contract management	Management did not comply with the relevant laws and regulations	Inspect all expenditure transactions to ensure compliance to SCM Add non compliance matters to the register Implement SCM checklist and ensure compliance to the designed controls on the checklist	01-Dec-18	30-Jun-18	Assistant Manager: SCM/ CFO/ Municipal Manager
COMPL AR	Some of the contracts and quotations were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations	Procurement and contract management	Management did not comply with the relevant laws and regulations	Inspect all expenditure transactions to ensure compliance to SCM Add non compliance matters to the register Implement SCM checklist and ensure compliance to the designed controls on the checklist	01-Dec-18	30-Jun-18	Assistant Manager: SCM/ CFO
COMPL AR	Some of the contracts and quotations were awarded to bidders based on functionality criteria that were not stipulated and in the original invitation for bidding and quotations	Procurement and contract management	Management did not comply with the relevant laws and regulations	Inspect all expenditure transactions to ensure compliance to SCM Add non compliance matters to the register Implement SCM checklist and ensure compliance to the designed controls on the checklist	01-Dec-18	30-Jun-18	Assistant Manager: SCM/ CFO

POST AUDIT ACTION PLAN - OPERATION CLEAN AUDIT REPORT - NALEDI LOCAL MUNICIPALITY 2016/17 (AR MATTERS)

NO	AUDIT FINDING	COMPONENT	AGSA CAUSE	PROPOSED SOLUTION	START DATE	END DATE	RESPONSIBLE OFFICIAL
COMPL AR	Some of the contracts were extended or modified without the approval of a properly delegated official	Procurement and contract management	Management did not comply with the relevant laws and regulations	Inspect all expenditure transactions to ensure compliance to SCM Add non compliance matters to the register Implement SCM checklist and ensure compliance to the designed controls on the checklist	01-Dec-18	30-Jun-18	Assistant Manager:SCM/ CFO/ Municipal Manager
COMPL AR	The performance of contractors or providers on key projects was not monitored on a monthly basis	Procurement and contract management	Management did not comply with the relevant laws and regulations	Inspect all expenditure transactions to ensure compliance to SCM Add non compliance matters to the register Implement SCM checklist and ensure compliance to the designed controls on the checklist	01-Dec-18	30-Jun-18	Assistant Manager:SCM / Municipal Manager/ All Heads of Department
COMPL AR	The contract performance and monitoring measures and methods were insufficient to ensure effective contract management	Procurement and contract management	Management did not comply with the relevant laws and regulations	Inspect all expenditure transactions to ensure compliance to SCM Add non compliance matters to the register Implement SCM checklist and ensure compliance to the designed controls on the checklist	01-Dec-18	30-Jun-18	Assistant Manager:SCM / Municipal Manager/ All Heads of Department
COMPL AR	Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure	Consequence management	Management did not comply with the relevant laws and regulations	Inspect all expenditure transactions to ensure compliance to SCM Add non compliance matters to the register Investigate irregularities and report to MPAC and Council Implement SCM checklist and ensure compliance to the designed controls on the checklist	01-Dec-18	30-Jun-18	Assistant Manager:SCM /Manager:MPAC / Municipal Manager
Iss. 79	COF 18 [Iss. 79]: Expenditure - Transactions more than R200 000 were not procured through a competitive bidding process	Unauthorised, Fruitless and Irregular expenditure	Management did not comply with the relevant laws and regulations	Review all expenditure based on SCM regulations Ensure that non compliance are disclosed as irregular expenditure Investigate the irregularities and submit to MPAC and Council Involve the AGSA in the process	01-Dec-18	30-Jun-18	Assistant Manager:SCM /CFO/ Municipal Manager
Iss. 88	COF 14 [Iss. 88]: Irregular Expenditure - Irregular Expenditure Register incomplete	Unauthorised, Fruitless and Irregular expenditure	Proper controls were not implemented to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Review all expenditure based on SCM regulations Ensure that non compliance are disclosed as irregular expenditure Investigate the irregularities and submit to MPAC and Council Involve the AGSA in the process	01-Dec-18	30-Jun-18	Assistant Manager:SCM /Manager:MPAC /CFO
Iss. 04	ADJUSTED: COF 02[Iss. 04]: High level review of AFS	Financial statements	Management did not exercise oversight responsibility regarding financial and related internal controls	Perform a GRAP checklist review before submission. Appoint consultants if used earlier to allow for time to submit	01-Dec-18	30-Jun-18	CFO/ CAE
Iss. 38	COF 07 [Iss. 38]: Internal audit - No external review was conducted	Internal audit and audit committee	Management oversight	Communicate and follow up with the shared service supplied by the district	01-Dec-18	30-Jun-18	CAE
Iss. 138	COF 18 [Iss. 138]: Fixed Assets - Discrepancies identified in land valuation	Movables and Immovable assets	Management did not implement proper record keeping to ensure that land is appropriately valued	Revisit the land valuation and perform an reconciliation between the valuation roll and the land register with explanations for differences	01-Dec-18	30-Jun-18	CFO/ Assistant Manager SCM/ Deputy Manager Budget and
Iss. 183	COF 25 [Iss. 183]: Fixed assets Discrepancies identified in WIP	Movables and Immovable assets	Lack of proper record keeping	Ensure in time updates of capital expenditure. This information should be complete to ensure that completed projects are capitalised. Perform monthly reconciliations	01-Dec-18	30-Jun-18	CFO/ Assistant Manager SCM/ Deputy Manager Budget and
Iss. 255	COF 29 [Iss. 255]: Fixed assets Inconsistencies identified	Movables and Immovable assets	Management did not implement proper record keeping to ensure all disclosures are accurately recorded and differences between the TB and asset register are followed up	Review and reconcile the asset registers to the accounting records on a monthly bases	01-Dec-18	30-Jun-18	CFO/Deputy Manager: Budget & Reporting/ Assistant Manager: SCM
Iss. 142	COF 18 [Iss. 142]: Fixed assets Infrastructure : Electrical, Items not verified	Movable assets	Management did not implement proper controls to ensure all assets of the municipality exist and are verifiable	Perform a asset verification and remove assets from the register that could not be verified	01-Dec-18	30-Jun-18	Assistant Manager: SCM/ CFO/ Executive Manager :Technical Services

POST AUDIT ACTION PLAN - OPERATION CLEAN AUDIT REPORT - NALEDI LOCAL MUNICIPALITY 2016/17 (AR MATTERS)							
NO	AUDIT FINDING	COMPONENT	AGSA CAUSE	PROPOSED SOLUTION	START DATE	END DATE	RESPONSIBLE OFFICIAL
Iss. 132	COF 22 [Iss. 132]: Expenditure Remaining population- Payments not made within 30 days	Operating expenditure	Invoices are received later than the date stipulated on them. Management did not review and monitor compliance with applicable laws and regulations	Initiate revenue enhancement projects as well as collection of outstanding debtors to improve cashflow. Institute cost containment measures as far as possible		30-Jun-18	Deputy Manager: Expenditure/ Manager Revenue
Iss. 43	COF 08 [Iss. 43]: Payables - Payments made after 30 days (Planning)	Payable	Invoices are received later than the date stipulated on them. Management did not review and monitor compliance with applicable laws and regulations	Initiate revenue enhancement projects as well as collection of outstanding debtors to improve cashflow. Institute cost containment measures as far as possible	01-Dec-17	30-Jun-18	Manager Revenue
Iss. 164	COF 20 [Iss. 164]: Trade payables - Limitation	Payable	Management did not ensure oversight responsibility to maintain proper record keeping	Perform a detailed creditors review Implement a suppliers general ledger Perform monthly reconciliations Pass correction journals	01-Dec-17	30-Jun-18	Deputy Manager: Expenditure
Iss. 165	COF 20 [Iss. 165]: Trade payables - Amounts in trial balance are overstated	Payable	Management did not ensure the records of the financial affairs of the municipality are used effectively and efficiently	Perform a detailed creditors review Implement a suppliers general ledger Perform monthly reconciliations Pass correction journals	01-Dec-17	30-Jun-18	Deputy Manager: Expenditure
Iss. 166	COF 20 [Iss. 166]: Accounts payable - amounts in the trial balance understated	Payable	Management did not ensure that full and proper records of the financial affairs of the municipality are kept in accordance with prescribed norms	Perform a detailed creditors review Implement a suppliers general ledger Perform monthly reconciliations Pass correction journals	01-Dec-17	30-Jun-18	Deputy Manager: Expenditure
Iss. 221	COF 26 [Iss. 221]: Trade and other payables- Incorrect classification of account and overstatement of Land Sales	Payable	Management does not exercise oversight responsibility when integrating transactions from SAMRAS onto Letlotlo	Perform a detailed creditors review Implement a suppliers general ledger Perform monthly reconciliations Pass correction journals	01-Dec-17	30-Jun-18	Deputy Manager: Budget & Reporting
Iss. 252	COF 27 [Iss. 252]: Procurement and contract management - (SCM Regulation 29(2)) - Understatement of Irregular Expenditure	Procurement and Contract Management (to confirm for removal)	Management did not review and monitor compliance with applicable laws and regulations	Review all expenditure based on SCM regulations Ensure that non compliance are disclosed as irregular expenditure Investigate the irregularities and submit to MPAC and Council Involve the AGSA in the process	01-Dec-17	30-Jun-18	Assistant Manager:SCM /Manager:MPAC / CFO
Iss. 59	COF 10 [Iss. 59]: Provisions - Employee benefits	Provisions	The financial statements were not adequately reviewed prior to the submission thereof	Perform a GRAP checklist review before submission. Appoint consultants if used earlier to allow for time to submit	01-Dec-17	30-Jun-18	CFO
Iss. 213	COF 29 [Iss. 213]: Receivables- Separate disclosure of non-exchange Property Rates receivables and impairment	Receivables	Management did not implement the requirements of the GRAP standards	Change the mapping structure on CaseWare	01-Dec-17	30-Jun-18	CFO
Iss. 215	COF 29 [Iss. 215]: Receivables - No impairment consideration or assessment made on non-exchange receivables	Receivables	Management did not implement the requirements of applicable standards of GRAP	Perform an impairment test on all debtors as required by GRAP. Follow up from these debtors for payment. Process a journal for the impairment identified	01-Dec-17	30-Jun-18	CFO/Deputy Manager: Budget & Reporting/ Manager Revenue
Iss. 33	COF 06 [Iss. 33]: Revenue - Service level agreement between the district and Naledi Local municipality has expired	Revenue	Management does not monitor the Service level agreement	Request the district to sign the standing agreement	01-Dec-17	30-Jun-18	CFO/ Municipal Manager
Iss. 104	COF 16 [Iss. 104]: Property rates - Variances identified between AFS and recalculated Property Rates billed	Revenue	Management did not exercise their oversight responsibility over the review of the billed Property Rates as recognised and disclosed as Revenue (Property Rates)	Do a prior period correction for the duplication journal, no billing issues identified in this regard	01-Dec-17	30-Jun-18	Manager Revenue
Iss. 108	COF 15 [Iss. 108]: Revenue - Incorrect tariffs used for sewerage and sanitation	Revenue	Lack of proper record keeping by management	Revisit tariffs and ensure that all "special" tariffs are approved by council and uploaded accordingly	01-Dec-17	30-Jun-18	Deputy Manager: Budget & Reporting/ Manager Revenue
Iss. 110	COF 15 [Iss. 110]: Revenue - Refuse -wrong tariffs used	Revenue	Lack of proper record keeping by management	Revisit tariffs and ensure that all "special" tariffs are approved by council and uploaded accordingly	01-Dec-17	30-Jun-18	Manager Revenue
Iss. 116	COF 16 [Iss. 116]: Property Rates - Incorrect Property valuation disclosed in the Annual Financial Statements	Revenue	Management did not exercise their oversight responsibility over the review of the rateable valuation of Property Rates as recognised and disclosed as Revenue (Property Rates)	Perform a GRAP checklist review before submission. Appoint consultants if used earlier to allow for time to submit	01-Dec-17	30-Jun-18	CFO/ Manager Revenue

POST AUDIT ACTION PLAN - OPERATION CLEAN AUDIT REPORT - NALEDI LOCAL MUNICIPALITY 2016/17 (AR MATTERS)								
NO	AUDIT FINDING	COMPONENT	AGSA CAUSE	PROPOSED SOLUTION	START DATE	END DATE	RESPONSIBLE OFFICIAL	
Iss. 151	COF 16 [Iss. 151]: Revenue –Electricity, variances identified between the SAMRAS and the meter readings report	Revenue	Lack of proper record keeping by management	Perform reconciliations on a monthly basis between the meter readings report and SAMRAS Process correction journals in this regard	01-Dec-17	30-Jun-18	Manager: Revenue	
Iss.192	COF 25 [Iss.192]: Conditional Grants - Reconciliation not prepared	Revenue	Lack of proper record keeping by management	Perform a monthly reconciliation of all conditional grants	01-Dec-17	31-Mar-18	Deputy Manager:Expenditure	
Iss. 263	COF 30 [Iss. 263]: Revenue - Incorrect classification	Revenue	Management insufficiently reviews revenue transactions captured to the financial system	This requires consultation with the AGSA and the attorneys. The matter can be corrected by disclosing a prior year error.	01-Dec-17	30-Jun-18	Deputy Manager:Expenditure	
Iss. 264	COF 30 [Iss. 264]: Revenue - Understatement of revenue recorded on Pre-paid electricity sales	Revenue	Management did not record all revenue and expenditure transactions applicable to the municipality	Perform a reconciliation of the money received from the service providers as a net amount and recorded accordingly. Split the amount to increase the receipt to gross and record the commission as an expense	01-Dec-17	30-Jun-18	Deputy Manager: Revenue	
Iss. 155	COF 19 [Iss. 155] VAT - Differences between VAT 201 and control account	Taxes	No reconciliations are performed to ensure that all VAT input and output reported in the VAT 201 submissions agree to the VAT control accounts	Revisit the VAT account and perform a monthly reconciliation between VAT201's and the General Ledger	01-Dec-17	30-Jun-18	Deputy Manager: Budget & Reporting/ Deputy Manager	
Iss. 02	COF 01 [Iss. 02]: AoPO - There are no standard operating procedures in place	AOPO	No policies or procedures on development of performance indicators and targets	Design standard operation procedures, implement and monitor compliance to it	01-Dec-17	31-Mar-18	Manager:PMS& Compliance	
Iss. 03	COF 01 [Iss. 03]: AoPO - There performance management policy not approved	AOPO	Developed and implemented policies and procedures not approved by council	Take the item to council to approve the mentioned policy	01-Dec-17	31-Mar-18	Manager:PMS& Compliance	
Iss. 20	COF 05 [Iss. 20]: AoPO - Non-alignment of the budget to development priorities (KPA)	AOPO	Management did not exercise oversight responsibility regarding compliance and related internal control for financial and performance reporting	Review the development priorities and ensure that those are aligned to the budget and budget allocations as per the templates provided by treasury	01-Dec-17	30-Jun-18	Manager:PMS& Compliance	
Iss. 30	COF 06 [Iss. 30]: AoPO - Variance on the MIG reported targets	AOPO	Leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control	Review the reported quarterly information against the planned priorities and ensure validity, accuracy and completeness of the report and the POE files	01-Dec-17	31-Mar-18	Manager:PMS& Compliance	
Iss. 32	COF 07 [Iss. 32]: AoPO - Performance indicators not measurable	AOPO	Leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control	Review all indicators and ensure that all of the indicators are designed on the SMART principle	01-Dec-17	31-Mar-18	Manager:PMS& Compliance	
Iss. 35	COF 07 [Iss. 35]: AoPO -Non-compliance to MSA section 46, actuals for prior year not used as the baseline.	AOPO	Leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control	Design and implement a compliance checklist and ensure the list is monitored on a continuous basis	01-Dec-17	31-Mar-18	Manager:PMS& Compliance	
Iss. 36	APOPO Re-Issued #COF 08 [Iss. 36]: AoPO - The reported quarterly achievements in the quarterly reports did not agree with achievement in the APR.	AOPO	Leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control	Review the reported quarterly information against the planned priorities and ensure validity, accuracy and completeness of the report and the POE files	01-Dec-17	31-Mar-18	Manager:PMS& Compliance	
Iss. 45	APOPO - RE-Issue COF 08 [Iss. 45]: AoPO - The 2016/17 SDBIP not made public	AOPO	Leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control	Design and implement a compliance checklist and ensure the list is monitored on a continuous basis	01-Dec-17	30-Jun-18	Manager:PMS& Compliance	
Iss. 47	APOPO RE-Issue COF 08 [Iss. 47]: AoPO - The SDBIP for 2016/17 financial year did not include all the priority needs as identified in the IDP.	AOPO	Leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control	Review the SDBIP and the IDP and ensure alignment of the priority needs in the document	01-Dec-17	30-Jun-18	Manager:PMS& Compliance	
Iss. 176	COF 22 [Iss. 176]: AoPO - Basic services: Usefulness: Some of the performance indicators reported on were not well defined	AOPO	Management not applying the SMART criteria as required by the Framework for Managing Programme Performance Information	Review all indicators and ensure that all of the indicators are designed on the SMART principle	01-Dec-17	31-Mar-18	Manager:PMS& Compliance	
Iss. 177	COF 22 [Iss. 177]: AoPO - The validity of some reported targets could not be confirmed	AOPO	Leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control	Review the reported quarterly information against the planned priorities and ensure validity, accuracy and completeness of the report and the POE files	01-Dec-17	31-Mar-18	Manager:PMS& Compliance	

POST AUDIT ACTION PLAN - OPERATION CLEAN AUDIT REPORT - NALEDI LOCAL MUNICIPALITY 2016/17 (AR MATTERS)							
NO	AUDIT FINDING	COMPONENT	AGSA CAUSE	PROPOSED SOLUTION	START DATE	END DATE	RESPONSIBLE OFFICIAL
Iss. 178	COF 22 [Iss. 178]: AoPO - Some of the performance targets were not accurately and completely reported in the Annual Performance Report	AOPD	Leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control	Review the reported quarterly information against the planned priorities and ensure validity, accuracy and completeness of the report and the POE files	01-Dec-17	30-Jun-18	Manager:PMS& Compliance

VOLUME II

VOLUME II: ANNUAL FINANCIAL STATEMENTS



Naledi Local Municipality
Annual Financial Statements
for the year ended 30 June 2017
Auditor General of South Africa
Registered Auditors
Published 31 August 2017

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity

Local Municipality
NW392

Members of the Council

Councillors

Cllr. S.T. Modise (1 July 2016 to 8 August 2016) - Mayor
Cllr. N.G. Mathiba (1 July 2016 to 8 August 2016) - Speaker
Cllr. C.J. Groep (1 July 2016 to 8 August 2016) - Member of the Executive Committee
Cllr. E.K. Moroka (1 July 2016 to 8 August 2016) - Member of the Executive Committee
Cllr. H.L. Pretorius (1 July 2016 to 8 August 2016) - Member of the Executive Committee
Cllr. D.P. Matobo (1 July 2016 to 8 August 2016) - Chairperson of Municipal Public Accounts Committee
Cllr. J.A. Adonis (1 July 2016 to 8 August 2016) - Member
Cllr. P.K. Moloi (1 July 2016 to 8 August 2016) - Member
Cllr. A.N. Bareng (1 July 2016 to 8 August 2016) - Member
Cllr. G.A. Coetzee (1 July 2016 to 8 August 2016) - Member
Cllr. D.T. Mogale (1 July 2016 to 8 August 2016) - Member
Cllr. S.B. Kgodumo (1 July 2016 to 8 August 2016) - Member
Cllr. A. Lekgetho (1 July 2016 to 8 August 2016) - Member
Cllr. M.J. Nchochoba (1 July 2016 to 8 August 2016) - Member
Cllr. E.G. Ramorogadi (1 July 2016 to 8 August 2016) - Member
Cllr. E.P. Renoster (1 July 2016 to 8 August 2016) - Member
Cllr. N.R. Thekiso (1 July 2016 to 8 August 2016) - Member
Cllr. K.K. Kgajane (1 July 2016 to 8 August 2016) - Member
Cllr. N.W. Skalk (9 August 2016 - 30 June 2017) - Mayor
Cllr. H.L. Pretorius (9 August 2016 - 30 June 2017) - Member of the Executive Committee
Cllr. C.J. Groep (9 August 2016 - 30 June 2017) - Member of the Executive Committee
Cllr. J.A. Adonis (9 August 2016 - 30 June 2017) - Member
Cllr. A.N. Bareng (9 August 2016 - 30 June 2017) - Member
Cllr. E.P. Renoster (9 August 2016 - 30 June 2017) - Member
Cllr. O.R. Modise (9 August 2016 - 30 June 2017) - Member
Cllr. K.L. Bosantsi (9 August 2016 - 30 June 2017) - Member of the Executive Council
Cllr. L. Ekkelton (9 August 2016 - 30 June 2017) - Member
Cllr. H.L. Philander (9 August 2016 - 30 June 2017) - Chairperson of Municipal Public Accounts Committee
Cllr. K.L. Bome (9 August 2016 - 30 June 2017) - Member
Cllr. O.K. Nyamane (9 August 2016 - 30 June 2017) - Member
Cllr. K.B. Tauwe (9 August 2016 - 30 June 2017) - Member
Cllr. B.J. Mokofo (9 August 2016 - 30 June 2017) - Member
Cllr. M.E. Ncobo (9 August 2016 - 30 June 2017) - Member
Cllr. S.M. Mustafa (9 August 2016 - 30 June 2017) - Member
Cllr. J.G. Brand (9 August 2016 - 30 June 2017) - Member
Cllr. G.C. Pulane (9 August 2016 - 30 June 2017) - Member
Cllr. M.E. Lebona (9 August 2016 - 30 June 2017) - Member

Grading of local authority

NW392

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

General Information

Accounting Officer	Mr TM Bloom
Chief Finance Officer (CFO)	Ms Morufa Moloto (Acting - Seconded by Treasury)
Registered office	Civic Centre 19A Market Street Vryburg 8601
Business address	Civic Centre 19A Market Street Vryburg 8601
Postal address	P.O. Box 35 Vryburg 8600
Bankers	First National Bank
Auditors	Auditor General of South Africa Registered Auditors

Naledi Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Notes to the Annual Financial Statements

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on his behalf by:



TM Bloom
Accounting Officer

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Inventories	5	2 899 951	2 995 310
Receivables from non-exchange transactions	6	10 393 205	10 012 322
VAT receivable	7	32 670 327	24 673 984
Consumer debtors	8	18 592 982	19 930 765
Cash and cash equivalents	9	18 628 259	18 582 745
		83 184 724	76 195 126
Non-Current Assets			
Property, plant and equipment	3	775 333 863	764 305 144
Heritage assets	4	709 286	719 286
		776 043 139	765 024 430
Total Assets		859 227 863	841 219 556
Liabilities			
Current Liabilities			
Other financial liabilities	12	12 058 547	4 509 572
Finance lease obligation	10	-	447 875
Payables from exchange transactions	15	437 892 808	387 416 235
Consumer deposits	16	6 490 924	6 672 149
Unspent conditional grants and receipts	11	26 571 287	18 573 974
Provisions	13	8 379 440	9 521 243
		491 393 006	427 141 048
Non-Current Liabilities			
Other financial liabilities	12	12 913 730	24 648 732
Provisions	13	67 235 892	92 974 681
		80 149 622	117 623 413
Total Liabilities		571 542 628	544 764 461
Net Assets		287 685 235	296 455 095
Reserves			
Revaluation reserve		2 470 085	2 164 229
Accumulated surplus		285 215 150	294 290 866
Total Net Assets		287 685 235	296 455 095

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Service charges	18	148 583 189	158 682 548
Rental of facilities and equipment	19	1 003 611	806 567
Licences and permits		6 390 008	6 569 415
Other income	21	30 881 795	46 978 222
Interest received - investment	22	21 123 736	16 956 616
Total revenue from exchange transactions		207 982 337	229 993 368
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	76 825 604	36 775 732
Transfer revenue			
Government grants & subsidies	25	105 750 077	106 726 243
Fines		1 811 750	976 737
Total revenue from non-exchange transactions		184 387 431	144 478 712
Total revenue	17	392 369 768	374 472 080
Expenditure			
Employee related costs	28	(162 319 272)	(152 718 019)
Remuneration of councillors	27	(6 980 076)	(6 560 894)
Depreciation and amortisation	28	(35 892 345)	(36 566 731)
Impairment loss/ Reversal of impairments	29	(33 595 819)	(42 065 003)
Finance costs	30	(39 597 326)	(33 511 854)
Collection costs		-	(278 262)
Repairs and maintenance	48	(2 510 401)	(6 198 558)
Bulk purchases	31	(76 304 580)	(88 464 468)
Contracted services	32	(25 876 025)	(23 367 935)
Transfers and Subsidies	24	(144 093)	(1 997 788)
General Expenses	33	(26 276 661)	(24 378 038)
Total expenditure		(409 496 598)	(416 107 550)
Operating deficit		(17 126 830)	(41 635 470)
Loss on disposal of PPE		(2 276 139)	(1 572 943)
Actuarial gains/losses		10 090 685	(220 137)
Gain on natural movement of game / animals		(684 383)	185 500
Unwinding of discounting		(12 673)	(125 839)
		7 117 490	(1 733 419)
Deficit for the year		(10 009 340)	(43 368 889)

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2015	1 697 413	336 571 162	338 268 575
Changes in net assets			
Revaluation of PPE	1 555 409	-	1 555 409
Offsetting of depreciation	(1 088 593)	-	(1 088 593)
Realisation of revaluation reserve	-	1 088 593	1 088 593
Net income (losses) recognised directly in net assets	466 816	1 088 593	1 555 409
Surplus for the year	-	(43 368 889)	(43 368 889)
Total recognised income and expenses for the year	466 816	(42 280 296)	(41 813 480)
Total changes	466 816	(42 280 296)	(41 813 480)
Balance at 01 July 2016	2 164 229	294 290 862	296 455 091
Changes in net assets			
Revaluation of game animals	1 239 484	-	1 239 484
Offsetting of depreciation	(933 628)	-	(933 628)
Realisation of revaluation reserve	-	933 628	933 628
Net income (losses) recognised directly in net assets	305 856	933 628	1 239 484
Surplus for the year	-	(10 009 340)	(10 009 340)
Total recognised income and expenses for the year	305 856	(8 075 712)	(8 769 856)
Total changes	305 856	(9 075 712)	(8 769 856)
Balance at 30 June 2017	2 470 085	285 215 150	287 685 235

Note(s)

Naledi Local Municipality

(Registration number NW392 - (Grade 3))

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Taxation		67 260 355	26 928 896
Sale of goods and services		157 600 338	182 944 725
Grants		113 747 390	124 073 635
Interest income		21 123 736	16 956 616
		359 731 819	350 903 872
Payments			
Employee costs		(169 299 348)	(159 278 913)
Suppliers		(97 523 634)	(74 766 851)
Finance costs		(39 577 504)	(33 330 471)
		(306 400 486)	(267 376 235)
Net cash flows from operating activities	35	53 331 333	83 527 637
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(49 684 430)	(63 015 934)
Proceeds from sale of property, plant and equipment	3	(9 999)	503 725
Proceeds from sale of heritage assets	4	10 000	-
Proceeds from sale of biological assets that form part of an agricultural activity		(684 383)	-
Movement in Landfill Site Asset		1 736 718	(544 174)
Net cash flows from investing activities		(48 632 094)	(63 056 383)
Cash flows from financing activities			
Repayment of other financial liabilities		(4 186 027)	(1 490 428)
Finance lease payments		(467 697)	(1 682 983)
Net cash flows from financing activities		(4 653 724)	(3 173 411)
Net increase/(decrease) in cash and cash equivalents		45 515	17 297 843
Cash and cash equivalents at the beginning of the year		18 582 745	1 284 900
Cash and cash equivalents at the end of the year	9	18 628 260	18 582 743

Naledi Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	207 458 000	-	207 458 000	148 583 189	(58 874 811)	A
Rental of facilities and equipment	944 000	-	944 000	1 003 611	59 611	I
Licences and permits	5 978 000	-	5 978 000	6 390 006	412 006	B
Other income - (rollup)	3 942 000	-	3 942 000	30 881 795	26 939 795	I
Interest received - investment	16 508 000	-	16 508 000	21 123 736	4 615 736	D
Total revenue from exchange transactions	234 830 000	-	234 830 000	207 982 337	(26 847 663)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	45 195 000	-	45 195 000	76 825 604	31 630 604	E
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Transfer revenue

Government grants & subsidies	67 240 000	920 000	68 160 000	105 750 077	37 590 077	F
Fines, Penalties and Forfeits	933 000	-	933 000	1 811 750	878 750	B

Total revenue from non-exchange transactions	113 368 000	920 000	114 288 000	184 387 431	70 099 431	
Total revenue	348 198 000	920 000	349 118 000	392 369 768	43 251 768	

Expenditure

Personnel	(160 409 000)	-	(160 409 000)	(162 319 272)	(1 910 272)	G
Remuneration of councillors	(7 202 000)	-	(7 202 000)	(6 980 076)	221 924	G
Depreciation and amortisation	(49 370 000)	-	(49 370 000)	(35 892 345)	13 477 655	G
Impairment loss/ Reversal of impairments	(20 650 000)	-	(20 650 000)	(33 595 819)	(12 945 819)	C
Finance costs	(2 000)	(36 360 000)	(36 352 000)	(39 597 326)	(3 245 326)	H
Repairs and maintenance	-	-	-	(2 510 401)	(2 510 401)	B
Bulk purchases	(95 053 000)	-	(95 053 000)	(76 304 580)	18 748 420	I
Contracted Services	(16 619 000)	-	(16 619 000)	(25 876 025)	(9 257 025)	I
Transfers and Subsidies	(1 107 000)	-	(1 107 000)	(144 093)	962 907	G
General Expenses	(21 752 000)	(600 000)	(22 352 000)	(26 276 661)	(3 924 661)	I
Other materials	(31 934 000)	-	(31 934 000)	-	31 934 000	I
Total expenditure	(404 098 000)	(36 950 000)	(441 048 000)	(409 488 598)	31 561 402	

Operating deficit	(55 900 000)	(36 030 000)	(91 930 000)	(17 126 830)	74 803 170	
Loss on disposal of assets and liabilities	-	-	-	(2 276 139)	(2 276 139)	
Actuarial gains/losses	-	-	-	10 090 685	10 090 685	I
Loss on biological assets and agricultural produce	-	-	-	(684 383)	(684 383)	
Gain on disposal of PPE	10 000 000	-	10 000 000	-	(10 000 000)	
	10 000 000	-	10 000 000	7 130 163	(2 869 837)	
Surplus	(45 900 000)	(36 030 000)	(81 930 000)	(9 996 667)	71 933 333	

Naledi Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(45 900 000)	(36 030 000)	(81 930 000)	(9 996 667)	71 933 333	

Naledi Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Comparative information

Budget information in accordance with GRAP 1 and 24, has been provided as part of these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.4 Investment property

Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Subsequent measurement

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land (excluding landfill sites) is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the estimated average asset lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure - Roads and Lights	Straight line	10-40
Infrastructure - Water Pipelines	Straight line	25-50
Infrastructure - Water Pumps, Purification and Reservoirs	Straight line	30-55
Infrastructure - Sewerage	Straight line	25-30
Infrastructure - Land	Straight line	Indefinite
Infrastructure - Landfill Site Perimeter Protection and structures	Straight line	10-55
Community - Buildings	Straight line	30
Community - Recreational Facilities	Straight line	30
Community - Cemeteries	Straight line	30
Community - Halls	Straight line	30
Community - Libraries	Straight line	30
Community - Civic Buildings	Straight line	30
Community - Other assets	Straight line	15-30
Other - Buildings	Straight line	30
Other - Office equipment	Straight line	7
Other - Furniture and fittings	Straight line	7
Other - Emergency equipment	Straight line	10

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Accounting Policies

1.5 Property, plant and equipment (continued)

Other - Computer equipment	Straight line	5
Other - Machinery and Equipment	Straight line	5-10
Other - Official Vehicles	Straight line	7
Other - Other assets	Straight line	4-15
Other - Game / Animals	Straight line	4-21

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Game / Animals

Game animals are held in the nature reserve and are due to their inherent nature disclosed at fair value utilising the revaluation model and accounted for as a separate class of asset. An annual count, assessment of the remaining useful life and valuation based on market values are performed.

Subsequent to recognition, Game / Animals are measured using the revaluation amount less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. The revaluation amount is the fair value at the date of the revaluation.

Accumulated depreciation is accounted for using the elimination method. Any difference between the carrying amounts and the revaluation amounts is recognised in the revaluation surplus. In the case of a reversal of an increase in excess of the increase previously recognised in the revaluation surplus, or a reversal of a decrease previously recognised in surplus or deficit, it will be recognised in surplus or deficit.

The revaluation surplus relating to the assets will be realised over time by transferring the surplus to accumulated surplus or deficit by way of the use of the asset.

For depreciation rates on Game / animals, refer to the table as per accounting policy above.

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Accounting Policies

1.6 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement

The cost model has been chosen for intangible assets.

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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Accounting Policies

1.7 Heritage assets

Initial recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset recognised is initially measured at its cost. The cost of a purchased heritage asset comprises of its purchase price, including any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Where a heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Subsequent measurement - Cost model

After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses.

Depreciation and impairment

Heritage assets are not depreciated.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of the heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of the heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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Accounting Policies

1.8 Financial instruments

Initial recognition

Financial instruments are initially recognized at fair value.

Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

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Accounting Policies

1.9 Tax

Value added Taxation (VAT)

The municipality accounts for value added taxation on the accrual basis.

1.10 Leases

Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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Accounting Policies

1.11 Inventories

Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

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Accounting Policies

1.12 Impairment losses

Identification of cash-generating assets from non-cash-generating assets

Primary objective of holding an asset is to generate a commercial return. Assets will generate a commercial return when the entity intends to generate positive cash flows from the asset similar to a profit-orientated entity and therefore the cash flows (or return) generated should reflect the risk involved in holding the asset. In other words, in addition to the mere intention to hold assets to generate cash flows the intention should also be to generate market related cash flows from that asset. To the extent that the cash flows are not market related, those cash flows are not representative of the risk involved in holding the asset, therefore the asset will be non-cash-generating. An asset can be non-cash-generating, even if it generated a commercial return during a particular period.

Non-cash generating assets are managed for service delivery purposes (no commercial return). In some situations, it may not be clear what the main objective of holding an asset is (i.e. whether it is to generate a commercial return or not). In these circumstances, it may be necessary to evaluate the significance of the cash flow generated from such an asset.

Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year, if an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating: the future cash inflows used to determine the asset's or cash-generating unit's value in use; and the

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.12 Impairment losses (continued)

future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing. Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified. The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined. An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets. In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of: its fair value less costs to sell (if determinable); its value in use (if determinable); and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit. Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset. An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of: its recoverable amount (if determinable); and the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods. The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential. The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This

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Accounting Policies

1.12 Impairment losses (continued)

cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset. The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset. An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Employee benefits

Defined contribution plans

The municipality provides retirement benefits for its employees and councillors. Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entailing them to the contributions.

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Accounting Policies

1.13 Employee benefits (continued)

Other post retirement obligations

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

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Accounting Policies

1.14 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.15 Commitments

Capital Commitments disclosed are the estimated amounts of capital contracts remaining to be executed after year-end.

1.16 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

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Accounting Policies

1.17 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when received.

Fines

Revenue from fines are recognized at the initial transaction date taking into account the full amount of fines. Impairment is based on the probability of collections.

1.18 Expenditure

Expenditure is recognised once there is a decrease in in economic benefits or service potential during the financial period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

1.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

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Accounting Policies

1.20 Impairments of assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.21 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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Accounting Policies

1.24 Revaluation reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17. All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance. All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.25 Segment Information

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Non-current assets held for sale

Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

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Figures in Rand	2017	2016
2. New standards and interpretations		
2.1 Standards and interpretations issued, but not yet effective		
The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. The nature of the impending changes in accounting policy and the impact on the Municipality's financial statements once implemented are as follows:		
Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 April 2018	Full disclosure of the nature and effect all related party transactions of management, their close members of family Disclosure and presentation of each transaction relating to service concession arrangements. Full disclosure and presentation of each class of statutory receivable as prescribe by legislation. Full disclosure and presentation of each transaction that relates to a principal and agent agreements, provided for on be halve of the principal of acting as the agent.
GRAP 32 - Service Concession Arrangement: Grantor	01 April 2018	
GRAP 108 - Statutory Receivables	01 April 2018	
GRAP 109 - Accounting by Principals and Agents	01 April 2018	

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Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	148 850 170	(12 781 964)	134 068 206	147 902 506	(12 038 878)	135 863 628
Buildings	71 183 951	(26 152 039)	45 031 912	53 668 615	(23 201 610)	30 467 005
Infrastructure	690 751 321	(159 659 224)	531 092 097	665 881 912	(137 803 315)	528 078 597
Community	72 448 213	(30 508 101)	41 940 112	71 836 300	(26 526 869)	45 309 431
Other property, plant and equipment	44 885 269	(26 179 486)	18 705 783	41 360 323	(21 783 990)	19 576 333
Game / animals	5 565 050	(1 069 307)	4 495 743	6 109 908	(1 099 958)	5 009 950
Total	1 031 683 974	(256 350 121)	775 333 853	986 759 564	(222 464 420)	764 305 144

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Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	WIP Additions	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	135 863 828	-	(321)	-	-	(1 052 335)	-	(742 966)	134 068 206
Buildings	30 467 005	5 968 936	-	11 546 400	-	-	(2 950 429)	-	45 031 912
Infrastructure	528 078 597	8 754 125	(2 262 910)	19 269 464	-	-	(22 747 179)	-	531 092 097
Community	45 309 431	-	-	611 914	-	-	(3 981 233)	-	41 940 112
Other property, plant and equipment	19 576 333	3 533 591	(2 909)	-	-	-	(4 401 232)	-	18 705 783
Game / animals	5 009 950	-	-	-	1 239 483	(684 383)	(1 069 307)	-	4 495 743
	764 305 144	18 256 652	(2 266 140)	31 427 778	1 239 483	(1 736 718)	(35 149 380)	(742 966)	775 333 853

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	WIP additions	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	128 054 491	8 244 379	(140 022)	-	-	544 174	-	(839 194)	135 863 828
Buildings	28 838 350	-	-	5 011 218	-	-	(3 382 563)	-	30 467 005
Infrastructure	503 587 677	281 375	(1 363 844)	47 520 367	-	-	(21 946 978)	-	528 078 597
Community	49 928 152	115 769	-	-	-	-	(4 113 892)	(620 598)	45 309 431
Other property, plant and equipment	23 671 949	1 842 826	(360 302)	-	-	-	(5 578 140)	-	19 576 333
Game / animals	4 581 500	-	(212 500)	-	1 555 408	185 500	(1 099 958)	-	5 009 950
	738 662 119	10 484 349	(2 076 688)	52 531 585	1 555 408	729 674	(36 121 531)	(1 459 792)	764 305 144

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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3. Property, plant and equipment (continued)

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure - Roads and Lights	Straight line	10-40
Infrastructure - Water Pipelines	Straight line	25-50
Infrastructure - Water Pumps, Purification and Reservoirs	Straight line	30-55
Infrastructure - Sewerage	Straight line	25-30
Infrastructure - Land	Straight line	Indefinite
Infrastructure - Landfill Site Perimeter Protection and structures	Straight line	10-55
Community - Buildings	Straight line	30
Community - Recreational Facilities	Straight line	30
Community - Cemeteries	Straight line	30
Community - Halls	Straight line	30
Community - Libraries	Straight line	30
Community - Civic Buildings	Straight line	30
Community - Other assets	Straight line	15-30
Other - Buildings	Straight line	30
Other - Office equipment	Straight line	7
Other - Furniture and fittings	Straight line	7
Other - Emergency equipment	Straight line	10
Other - Computer equipment	Straight line	5
Other - Machinery and Equipment	Straight line	10-15
Other - Official Vehicles	Straight line	7
Other - Other assets	Straight line	4-15
Other - Game / Animals	Straight line	4-16

Assessed residual value

In terms of GRAP 17 management assessed the residual value and useful life of all property, plant and equipment. For the period under review the residual values of all property, plant and equipment (except for official vehicles and machinery and equipment) were assessed at zero, as the economic life of these assets are greater than the useful life.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Methods and assumptions used in determining the fair value

Game / animals

The fair value assessment was determined by SA Auctioneers, an independent expert / valuer on the market values of game, taking into account the relevant market values of the respective breeding / family groups. The effective date of the valuation was 30 June 2016. SA Auctioneers are independent and are not connected to the municipality or any of its councillors or officials.

Game / animals are re-valued independently every year.

Land and buildings

Land and buildings were revalued to fair value by using market values. Market values were determined utilising recent market transactions on arm's length terms.

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Figures in Rand 2017 2016

4. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	709 286	-	709 286	719 286	-	719 286

Reconciliation of heritage assets 2017

	Opening balance	Disposals	Total
Conservation areas	719 286	(10 000)	709 286

Reconciliation of heritage assets 2016

	Opening balance	Total
Conservation areas	719 286	719 286

5. Inventories

Maintenance materials	2 460 830	2 589 013
Water	76 017	100 390
Consumables stores	363 104	305 907
	2 899 951	2 995 310

Inventory valuation

The First-in-First-out (FIFO) costing method is applied on inventories. The same method is used as the inventories have a similar nature and use to the entity. Inventory is measured at the lower of cost and net realisable value.

6. Receivables from non-exchange transactions

Other debtors	12 497 027	11 260 389
Prepayments	134 093	134 093
Less: Provision for doubtful debts	(2 237 915)	(1 382 160)
	10 393 205	10 012 322

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	1 382 160	1 967 207
Other	855 755	(585 047)
	2 237 915	1 382 160

7. VAT receivable

VAT	32 670 327	24 673 984
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

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Figures in Rand	2017	2016
8. Consumer debtors		
Gross balances		
Rates (Non - Exchange Transactions)	56 545 001	48 995 698
Electricity	52 849 327	56 574 155
Water	94 523 860	82 849 239
Sewerage and sanitation	38 667 967	31 527 183
Refuse	42 215 859	35 004 499
Other charges	11 191 011	9 713 874
	295 993 025	264 664 648
Less: Allowance for impairment		
Rates (Non - Exchange Transactions)	(50 674 300)	(44 016 183)
Electricity	(45 861 795)	(46 504 421)
Water	(92 497 637)	(81 187 580)
Sewerage and sanitation	(36 738 196)	(29 928 920)
Refuse	(40 558 633)	(33 474 833)
Other charges	(11 069 482)	(9 821 946)
	(277 400 043)	(244 733 883)
Net balance		
Rates (Non - Exchange Transactions)	5 870 701	4 979 515
Electricity	6 987 532	10 069 734
Water	2 026 223	1 661 659
Sewerage and sanitation	1 929 771	1 598 263
Refuse	1 657 226	1 529 665
Other charges	121 529	91 929
	18 592 982	19 930 765
Included in above is receivables from exchange transactions		
Electricity	52 849 327	56 574 155
Water	94 523 860	82 849 239
Sewerage and sanitation	38 667 967	31 527 183
Refuse	42 215 859	35 004 499
Other charges	11 191 011	9 713 874
Less: Allowance for impairment	(228 725 743)	(200 717 700)
	12 722 281	14 951 250
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	56 545 001	48 995 698
Less: Allowance for impairment	(50 674 300)	(44 016 183)
	5 870 701	4 979 515
Net balance	18 592 982	19 930 765
Rates (Non - Exchange Transactions)		
Current (0 -30 days)	3 068 289	2 765 671
31 - 60 days	2 096 714	1 820 081
61 - 90 days	1 997 145	1 763 325
+91 days	49 384 853	42 646 621
	56 545 001	48 995 698

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8. Consumer debtors (continued)		
Electricity		
Current (0 -30 days)	3 984 663	4 905 679
31 - 60 days	1 748 056	2 908 166
61 - 90 days	1 291 677	1 899 223
+91 days	45 824 931	46 861 087
	52 849 327	56 574 155
Water		
Current (0 -30 days)	3 042 175	1 019 161
31 - 60 days	1 072 912	698 886
61 - 90 days	742 812	771 918
+91 days	89 665 961	80 350 274
	94 523 860	82 849 239
Sewerage and sanitation		
Current (0 -30 days)	1 421 890	1 249 311
31 - 60 days	980 702	874 755
61 - 90 days	844 637	774 972
+91 days	35 420 738	28 628 145
	38 667 967	31 527 183
Refuse		
Current (0 -30 days)	1 264 046	1 108 066
31 - 60 days	829 828	724 488
61 - 90 days	746 905	652 207
+91 days	39 375 080	32 518 838
	42 215 859	35 004 499
Other charges		
Current (0 -30 days)	110 092	74 336
31 - 60 days	73 950	67 497
61 - 90 days	62 338	63 109
+91 days	10 944 631	9 508 932
	11 191 011	9 713 874

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8. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	10 777 953	9 481 134
31 - 60 days	4 877 618	5 667 227
61 - 90 days	3 214 522	3 337 433
+91 days	260 807 921	228 663 532
	279 678 014	247 149 326
Less: Allowance for impairment	(268 851 270)	(231 982 542)
	12 826 744	15 166 784
Government departments		
Current (0 -30 days)	2 111 201	1 641 993
31 - 60 days	1 924 544	1 426 646
61 - 90 days	2 470 992	2 587 321
+91 days	9 808 274	11 859 384
	16 315 011	17 515 324
Less: Allowance for impairment	(10 548 773)	(12 751 341)
	5 766 238	4 763 983
Total		
Current (0 -30 days)	12 889 155	11 123 124
31 - 60 days	6 802 162	7 093 873
61 - 90 days	5 685 514	5 924 754
+91 days	270 516 194	240 522 897
	295 993 025	264 664 648
Less: Allowance for impairment	(277 400 043)	(244 733 883)
	18 592 982	19 930 765
Less: Allowance for impairment		
Current (0 -30 days)	(6 745 962)	(5 299 502)
31 - 60 days	(4 213 147)	(4 786 467)
61 - 90 days	(3 698 719)	(4 109 964)
+91 days	(262 742 215)	(230 537 950)
	(277 400 043)	(244 733 883)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(244 733 883)	(211 245 308)
Contributions to allowance	(37 013 422)	(43 712 388)
Debt impairment written off against allowance	4 347 262	10 223 813
	(277 400 043)	(244 733 883)
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	7 165	13 813
Bank balances	8 964 037	2 062 693
Call deposits	9 657 057	16 506 239
	18 628 259	18 582 745

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9. Cash and cash equivalents (continued)

On 1 March 2013, the municipality changed its Primary bank account from ABSA account no 4070282707 to FNB account no 54160030382.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
FNB - (Primary bank account)	8 838 986	1 847 782	944 121	8 838 986	1 847 782	944 121
Current account - 54160030382						
ABSA - Current account - 4070282707	125 050	214 911	259 152	125 050	214 911	259 152
FNB - (General) Fixed deposit - 70416036010	8 000	8 000	8 041	8 000	8 000	8 041
FNB - (General) Fixed deposit - 70416052060	7 900	7 900	7 900	7 900	7 900	7 900
FNB - (FMG) Call account - 62401119856	5 536	5 289	1 032	5 536	5 289	1 032
FNB - (MIG) Call account - 62401121364	9 615 952	16 381 593	9 433	9 615 952	16 381 593	9 433
FNB - (EPWP) Call account - 62401123344	1 808	1 704	1 016	1 808	1 704	1 016
FNB - (Library funds) Call account - 62401123625	1 944	1 832	1 012	1 944	1 832	1 012
CALL ACCOUNT - FNB - 624 0112 2255 - MSIG	1 061	6 558	1 039	1 061	6 558	1 039
CALL ACCOUNT - FNB - 624 0112 2908 - INEP	1 139	1 898	1 019	1 139	1 898	1 019
FNB - (Equitable Share) Call account - 62401123964	3 281	1 174	1 089	3 281	1 174	1 089
FNB - (LGSETA) Call account - 62401124235	2 167	1 068	1 014	2 167	1 068	1 014
FNB - (New Landfill Site) Call account - 62401124805	2 168	1 069	1 015	2 168	1 069	1 015
FNB - (PPE) Call account - 62401125142	2 177	1 077	1 023	2 177	1 077	1 023
FNB - (District Grant) Call account - 62421435851	1 024	1 076	1 021	1 024	1 076	1 021
FNB - (Smart Meter Project) Call account - 62420925549	1 811	81 713	1 810	1 811	81 713	1 810
FNB - (Prodiba) Call account - 62435389342	1 089	4 287	4 067	1 089	4 287	4 067
Total	18 621 093	18 568 931	1 244 804	18 621 093	18 568 931	1 244 804

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10. Finance lease obligation		
Minimum lease payments due		
- within one year	-	467 696
- in second to fifth year inclusive	-	-
	-	467 696
Less: future finance charges	-	(19 822)
Present value of minimum lease payments	-	447 874
Present value of minimum lease payments due		
- within one year	-	447 875
- in second to fifth year inclusive	-	-
	-	447 875

The liability is secured by the leased assets. Carrying value of leased photocopiers - 1 531 039

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 10% (2016: 10%). Payments are made in arrears.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent lease payments. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. There were no defaults or breaches and no terms and conditions were re-negotiated during the reporting period. The municipality does not have the intention to buy the assets after the lease period. The lease agreements do not impose restrictions upon the municipality.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	25 000 027	18 573 974
Finance Management Grant (FMG)	-	-
Municipal Systems Improvement Grant (MSIG)	-	-
INEP Grant	-	-
Expanded Public Works Programme Grant (EPWP)	-	-
Department of Sports, Arts and Culture Grant (DSAC)	214 653	-
Fire Grant	-	-
Dr Ruth S Mompoti District Municipality Grant	-	-
LG Seta Grant	1 356 607	-
Department of Energy Grant (SANEDI)	-	-
	26 571 287	18 573 974

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from Provincial Government.

Based on the allocations set out in the Division of Revenue Act, significant increases in the level of government grant funding are expected over the forthcoming 3 financial years.

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12. Other financial liabilities						
At amortised cost						
DBSA loans	24 972 277	29 158 304				
Non-current liabilities						
DBSA loans at amortised cost	12 913 730	24 648 732				
Current liabilities						
DBSA loans at amortised cost	12 058 547	4 509 572				
Financial liabilities at amortised cost						
Defaults and breaches						
Bank loans payable						
Details of defaults during the period						
DBSA loan	8 135 002	8 138 049				
The loan carries compounded interest at 9% per annum and is redeemable at 31 July 2017.						
DBSA loan	16 837 276	21 020 255				
The loan carries compounded interest at 9% per annum and is redeemable at 30 January 2022.						
Carrying amount of loans payable in default at end of reporting period	24 972 278	29 158 304				
13. Provisions						
Reconciliation of provisions - 2017						
	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	11 960 849	(1 052 334)	-	-	12 674	10 921 189
Legal proceedings	24 807 242	-	-	(24 000 000)	-	807 242
Long-service awards	10 658 607	2 030 165	(1 511 575)	-	(325 365)	10 851 832
Continued medical aid	55 069 226	8 748 108	(1 016 945)	-	(9 765 320)	53 035 069
	102 495 924	9 725 939	(2 528 520)	(24 000 000)	(10 078 011)	75 615 332
Reconciliation of provisions - 2016						
	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total	
Rehabilitation of landfill sites	11 290 837	544 174	-	125 838	11 960 849	
Legal proceedings	24 807 242	-	-	-	24 807 242	
Long-service awards	8 988 300	1 742 403	(1 065 775)	993 679	10 658 607	
Continued medical aid	49 533 772	7 363 163	(1 054 167)	(773 542)	55 069 226	
	94 620 151	9 849 740	(2 119 942)	345 975	102 495 924	
Non-current liabilities					67 235 892	92 974 681
Current liabilities					8 379 440	9 521 243
					75 615 332	102 495 924

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13. Provisions (continued)

Additional disclosure required:

Long service awards: In 2014 the opening balance of Long service awards were R7 281 917, contributions to provisions amounted to R1 376 105, the increase due to the actuarial valuation was R65 419 and expenditure amounted to R780 907, resulting in a closing balance of R7 942 534.

Long service awards: In 2015 the opening balance of Long service awards were R7 942 534, contributions to provisions amounted to R1 571 127, the increase due to the actuarial valuation was R395 868 and expenditure amounted to R921 229, resulting in a closing balance of R8 988 300.

Continued medical aid: In 2014 the opening balance of Continued medical aid were R33 850 805, contributions to provisions amounted to R4 938 737, the decrease due to the actuarial valuation was R438 290 and expenditure amounted to R962 981, resulting in a closing balance of R37 388 271.

Continued medical aid: In 2015 the opening balance of Continued medical aid were R37 388 271, contributions to provisions amounted to R5 766 976, the increase due to the actuarial valuation was R7 350 713 and expenditure amounted to R972 188, resulting in a closing balance of R49 533 772.

Environmental rehabilitation provision

The following key assumptions were made to arrive at the amount disclosed as a possible future obligation:

- 1) Environmental Impact process for establishment of solid waste disposal site
- 2) Supply and operation of machinery to transfer refuse
- 3) Sloping and spreading of slopes and ground work, including manual hand labour

The provision has been estimated at the current estimated costs to rehabilitate the landfill sites. An average inflation rate of 5.90% as per MFMA Circular 81 and a discount rate of 8.57 % / 9.39 % as per the R186 / R 213 Government Bond rate was used to calculate the obligation at year-end.

The provision made for the rehabilitation is not backed by any assets.

The landfill sites in the area are known as the Vryburg old, Vryburg New and Stella landfill sites. The two Vryburg landfill sites have approvals or licenses in terms of the NWA, ECA, NEM:WA but the Stella site is unlicensed. Due to uncontrolled waste management practices the District Municipality and the Environmental Affairs has requested that the site be closed and rehabilitated once a new waste management plan has been devised for waste management practices in the area. Disposal at the sites has never been formally controlled thus waste has been heaped in a haphazard fashion, burnt and spread across the entire sites. There is no infrastructure on the Old Vryburg and Stella landfill sites except the disposal areas (dump) on ground. The new Vryburg landfill site has been developed with all the necessary new infrastructure.

The two Vryburg landfill sites are licensed as a General Small non leachate producing landfill sites denoted as a GSB - class. In terms of the new Gazetted regulations depict the lining of the site as a Class B. However, the capping has not been updated thus the capping will be a GSB - in terms of the Minimum Requirements (MR) 1998. The Stella landfill site is licensed as a General Communal non leachate producing landfill sites denoted as a GCB - class. In terms of the new Gazetted regulations depict the lining of the site as a Class B. However, the capping has been updated in the license thus the capping will include a 450mm clay layer which is similar to the GMB+ (excluding the LFG collection layer) in terms of the Minimum Requirements (MR) 1998.

A GSB- and a GCB - landfill site, in terms of the Minimum Requirements (MR 1998, Page A8-15) for waste disposal by landfill, will require the following for rehabilitation:

1. The waste must be shaped to allow for water to runoff with no ponding allowed on the site;
2. The waste layer must be capped with a layer of topsoil a minimum of 200mm thick;
3. The top-soiled area must be grassed to minimize the effects of erosion either by wind or water;
4. All storm water on and off the site must be controlled to avoid erosion of the capping layers;

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13. Provisions (continued)

5. Access to the site must be controlled by means of a fence and monitored gate.

However, the approval of a site for closure may require a further layer to be installed above the waste and below the 200mm topsoil, as per the Stella landfill license. This layer will comprise of a natural clay which may not be available in the area, however, a synthetic clay layer may be used. The synthetic clay is known as a Geosynthetic Clay Liner (GCL) and will require a further confining layer of 450mm of inert soil materials placed on top of the GCL.

The rates used to determine the construction amount (cost) are based on current or recent contracts undertaken in similar circumstances in the local area.

The total cost to repair the landfill sites is estimated at R0 104 570.

Vryburg New Landfill - the remaining life of the site is estimated as approx. 62,42 years

Stella Landfill - the remaining life of the site is estimated as approx. 35,36 years

Legal proceedings provisions

2017

No additional proceedings noted for the current year.

2016

Telkom SA Ltd

The municipality damaged Telkom cables for which Telkom has issued a summons on 2 November 2010. The claim relates to the period prior to 30 June 2011. Telkom has sent the municipality a settlement agreement in the 2013/14 financial year. The matter is expected to be settled before 30 June 2017. Amount was determined to be R31 619.

Fynbosland 435 cc

The municipality allegedly did not pay outstanding claims on the housing project for which Fynbosland 435 cc has issued a notice of motion on 25 September 2012. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2017. The amount was determined to be R24 000 000.

WF van der Ryst

The municipality allegedly damaged the plaintiff's cables for which WF van der Ryst has issued a summons on 12 November 2010. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2017. The amount was determined to be R80 000.

Mrs BS Nsedame

The municipality allegedly falsely accused the plaintiff for which Mrs BS Nsedame has issued a summons on 13 August 2009. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2017. The amount was determined to be R100 000.

Cape Joint Pension Fund

The municipality allegedly failed to pay funds over to the pension fund for which Cape Joint Pension Fund has issued a summons on 27 June 2012. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2017. The amount was determined to be R615 623.

Long-service awards

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13. Provisions (continued)

Members information

The long service award is a defined benefit plan of which the following employees are eligible:

	2017	2016
In-service (employee) members (Total)	451	462

The liability in respect of past service has been estimated to be as follows:

	2017	2016
In-service (employee) members (Total)	R10 851 832	R10 658 607

Actuarial adjustments were calculated as follows

	2017	2016
Change in basis	R(692 359)	R 11 000
Experience	R 366 994	R982 678
Actuarial (Gain) / Loss	R(325 365)	R993 679

Future service and interest cost estimation

The Future-service Cost for the next year is estimated to be R 1 078 000 whereas the Interest Cost for the next year is estimated to be R 995 000.

Valuation Data

A summary of the membership data is as follows:

In-Service Members

	2017	2016
Number of Members	451	462
Average Age of Members (years)	44.8	44.4
Average Past Service (years)	11.9	11.6
Average Salary (R)	181 486	167 798

Benefit Structure

The Entity has a policy to provide long service awards to employees who have been in the service of the Entity for a certain period of time. The awards are as follows:

Completed Service (Years)	Persons employed prior to 28 March 2013 Award (% of Annual Salary)	Persons employed post to 28 March 2013 Award (% of Annual Salary)
6.9	4%	4%
12.15	6%	6%
18.21	7.5%	7.5%
24	10%	10%
27	10%	10%
30.33	12.5%	10%

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13. Provisions (continued)		
36.39	15%	10%
45.45	17.5%	10%

The award is granted in the month that the completed milestone is reached.

Methodology

Consistent with the provisions of GRAP 25, the liability has been calculated as the accrued service liability. The accrued service liability is calculated by valuing all future leave and payments expected to be made in respect of benefits accrued up to the valuation date. Allowance has been made in these calculations for salary increases and investment returns up to the date that the benefit is received.

Key Actuarial Assumptions used

Interest Rate	2017	2016
Discount rate	8.75%	8.89%
General inflation	5.52%	6.52%
Salary inflation	6.52%	7.52%
Real Rate (GAP)	2.09%	1.27%

Discount rate Assumption

The discount rate required by GRAP25 should be set with reference to the market yield on government bonds. We have set the discount rate by using the best fit discount rate at 30 June 2017 based on the yields from the zero coupon SA Government bond curve. The best fit has been determined taking into account the cash-flow weighted duration of the liabilities, which is around 8 years. The recommended discount rate is 8.75%. The source of the data is the Johannesburg Stock Exchange through Inet BFA data service.

Future Inflation Assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

We have estimated the market's pricing of inflation by comparing the yields on index linked government bonds and long term government bonds, adjusting for inflation risk premium of 0.5% per annum. The implied inflation assumption is therefore 5.52% per annum for future inflation.

Future Salary Inflation

We assumed that salary inflation will exceed general inflation by 1.0% per annum, i.e. 6.52% p.a. In addition we have assumed that salaries will increase according to the following merit scale.

Age	Merit Increase
20-24	5%
25-29	4%
30-34	3%
35-39	2%
40-44	1%
45+	0%

The Entity does not have any specific assets set aside to prefund for this liability. We have therefore not included any asset value in this report.

Net Discount Rate

Even though the actual values used for the discount rate and the expected increase in salaries are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate is 2.09% per annum. (Derived from a discount rate of 8.75% and the expected salary inflation rate of 6.52%)

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13. Provisions (continued)

Demographic Valuation Assumptions

We have retained the demographic assumptions used in the prior year's valuation. These assumptions are as follows:

Mortality Rates

Pre retirement mortality is assumed to be in line with SA85-90 Light table rated down by 3 years for female employees. This is also the assumption used in last year's valuation.

Withdrawal rates

The table below used reflect the rates of withdrawal used to value the liabilities for both males and females.

Age	Withdrawal Rate
20	16%
25	12%
30	10%
35	8%
40	6%
45	4%
50	2%
55+	0%

Assumed Retirement age

The normal retirement age is 65 for employees. We have assumed retirement age of 63 for all employees which implicitly allows for some early retirement and is consistent with assumptions used for valuing other Entity liabilities. It should however be noted that by assuming a normal retirement age of 63 there is an implicit assumption that service stops accruing at age 63.

Sensitivity Analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future experience. The actual cost of the long-service awards will however depend on the actual experience.

The tables below illustrate the likely impact certain changes to the underlying assumptions would have on the results (Values in R'000).

Discount rate	Current Assumption 8,75%	1% decrease in rate 7,75%	1% increase in rate 9,75%
Liability	10 852	11 661	10 133
Cost/ (saving)		809	(719)
Retirement Age	Current Assumption Retire at average age 63	Retire at average age 65	Retire at average age 61
Liability	10 852	12 329	9 577
Cost/ (saving)		1 477	(1 275)

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13. Provisions (continued)

Continued medical aid

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13. Provisions (continued)

Members

	2017	2016
In-service (employee) members	242	239
Retired employees	29	31
Total Members	271	270

The liability in respect of past service has been estimated to be as follows:

	2017	2016
In-service (employee) members	R34 242 029	R34 461 102
In-service (employee) non members	6 728 521	6 913 964
Retired employees	12 064 518	13 694 160
Total Liability	R53 035 068	R55 069 226

Actuarial adjustments were calculated as follows

	2017	2016
Change in basis	R(6 371 083)	R200 800
Experience	(3 394 237)	(974 342)
Actuarial (Gain) / Loss	R(9 765 320)	R(773 542)

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas
Hosmed
LA Health
Key Health
Samwumed

Monthly contribution rates for the schemes in which the Employer participates available on request.

Future service and interest cost estimation

The Future-service Cost for the next year is estimated to be R2 705 119 whereas the Interest Cost for the next year is estimated to be R5 195 264.

Sensitivity Analysis

The liabilities were determined using various assumptions. The actual liability to the Entity in the future will depend on the actual experience for each assumed item. The liabilities were recalculated to illustrate the impact of the above changes. For illustrative purposes we have also included the impact a change in mortality, retirement age and discount rate would have on the disclosures:

The following changes were made:

- a) A 1% increase/decrease in the discount rate assumption; and
- b) A 1 year increase/decrease in post retirement mortality.

a) Discount Rate	Current Assumption 9.66%	1% decrease 8.66%	1% increase 10.66%
Liability	R53 035 068	R63 244 534	R45 027 381
Cost/ (saving)		R10 209 466	R(8 007 687)
b) Post retirement Mortality	Current	Pa(90)-2 years	Pa(90)

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13. Provisions (continued)

	Assumption Pa(90)-1 year		
Liability	R53 035 068	R54 945 518	R51 141 958
Cost/ (Saving)		1 910 450	(1 893 110)

The impact on the next year's projection from a 1% increase/decrease in the medical inflation assumption is as follows:

Benefit Projection	Current Assumption Rands	Discount Rate -1% Rands	Discount Rate +1% Rands
PBO at start of period (2017)	53 035 068	63 244 534	45 027 381
Interest cost	5 195 264	5 509 860	4 853 057
Service cost	2 705 119	3 379 824	2 192 419
Expected benefit payments	(1 142 657)	(1 142 657)	(1 142 657)
PBO at the end of period (2018)	59 792 794	71 051 561	60 930 200

Valuation method and assumptions

Assets

There are currently no long-term on-balance sheet assets set aside in respect of the post-retirement Health Care liabilities.

Accrued liabilities and Current Service Cost

The value of the Entity's accrued liabilities has been determined by using the Projected Unit Credit Method (the "funding method") and a set of actuarial assumptions. The funding method and the assumptions that were used are described in more detail below.

Funding method

The liability in respect of active Employees is determined by discounting the projected future benefit payments in respect of these Employees using assumptions regarding the possible future experience. The liability has been proportioned between past service and future service. The liability in respect of current pensioners is fully accounted for.

The current service cost is the cost of providing the benefits over the year following the valuation date.

All actuarial gains and losses are recognised immediately. We have not allowed for any disclosure under the corridor method.

Actuarial assumptions

Actuarial valuation assumptions shall be unbiased and mutually compatible, and are an Entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits.

Actuarial valuation assumptions are unbiased if they are neither imprudent nor excessively conservative. Actuarial valuation assumptions are mutually compatible if they reflect the economic relationships between factors such as inflation, rates of medical aid premium increases, the return on plan assets and discount rates.

Financial valuation Assumptions

The assumptions used are based on statistics and market data as at 30 June 2017.

Assumption	2017	2016
Discount rate	9.66%	9.74%
General Inflation	6.53%	7.26%
Salary Inflation	8.03%	8.76%

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Figures in Rand	2017	2016
13. Provisions (continued)		
Real Rate (GAP)	1.5%	0.9%
Discount rate Assumption		
<p>The discount rate reflects the estimated timing of benefit payments. In practice, an Entity often achieves this by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid.</p> <p>The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. We have used the average nominal yield curve for SA Government bonds with duration of between 15 and 20 years as at 30 June 2017. The resultant discount rate was 9.66%. The source is the Johannesburg Stock Exchange through INET BFA data services.</p>		
Future Inflation Assumptions		
<p>The general inflation assumption is used to estimate the base rate for determining the rate at which the future subsidies will increase.</p> <p>We have used the difference between SA Government nominal and real bonds with duration of between 15 and 20 years and allowed for a 0.5% inflation risk premium. The implied inflation assumption is therefore 6.53% per annum. The source is the Johannesburg Stock Exchange through INET BFA data services.</p>		
Future Medical Inflation Assumption		
<p>The general inflation assumption is used to estimate the base rate for determining the rate at which the future health care subsidies will increase.</p> <p>South Africa has experienced high health care cost inflation in recent years and our assumption is that health care cost will exceed general inflation by about 1.5% per annum.</p> <p>The Health care cost inflation rate was therefore set at 8.03% per annum.</p>		
Net Discount Rate		
<p>Even though the actual values used for the discount rate and the expected increase in medical inflation are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate is 1.50% per annum (derived from a discount rate of 9.66% and the expected medical inflation rate of 8.03%).</p>		
Demographic Valuation Assumptions		
<p>Estimates (actuarial valuation assumptions) are also required to be made about demographic variables (such as employee turnover and mortality) that will influence the cost of the benefit (see paragraphs .96 to .104), discounting that benefit using the Projected Unit Credit Method.</p>		
Pre-retirement mortality		
<p>We have assumed that the pre-retirement mortality will be in line with the SA85-90(Light) table, rated down by 3 years for females, which is a table reflecting mortality experience in South Africa. This assumption is in line with the previous assumption used.</p>		
Post-retirement mortality		
<p>We have based the post-retirement mortality assumptions on the PA (90) mortality tables rated down by 1 year.</p>		
Withdrawal rates		
<p>The table below used reflect the rates of withdrawal used to value the liabilities for both males and females.</p>		
Age	Withdrawal Rate	

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Figures in Rand	2017	2016
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13. Provisions (continued)

20	16%
25	12%
30	10%
35	8%
40	6%
45	4%
50	2%
55+	0%

Assumed Retirement Age

The Normal Retirement Age is 65 years. We have assumed that employees will retire at age 63, which implicitly allows for the expected rates of early retirement.

Family profile

We assumed 80% of In Service Employees on a health care arrangement will be married at retirement. Males were assumed to be three years older than their female spouses. The data provided in respect of the Continuation Members indicated the presence/absence of an adult dependent and provided the actual birth dates of spouses. The actual adult dependent data in respect of Continuation Members was therefore used. Employees were assumed to have no dependent children after retirement. Dependent adults were assumed to be covered for their life.

Continuation of membership

It was assumed 100% of the In Service Employees will remain on the Entity's health care arrangement should they stay until retirement. It was further assumed that 20% of the current eligible In Service Non-Members will be on an Entity-sponsored medical aid scheme at retirement and will be eligible for the subsidy. It was further assumed that the subsidy will be at the average of the current Members.

It was assumed that Employees retiring will remain on the current plan and option at retirement as well as on the same income category after retirement.

Changes since the previous valuation

We understand that there were no changes to the rules governing payment and eligibility for the medical subsidy since the previous valuation. As far as assumptions are concerned only the discount rate and general inflation which are dependent on the market at the time of the valuation differed from the previous valuation. All other assumptions are broadly consistent with that used at the previous valuation.

14. Other liability

The liability disclosed relates to a Loan from the Dr Ruth S Mompoti District Municipality to assist the municipality with the settlement of ESKOM outstanding payments

15. Payables from exchange transactions

Trade payables	381 738 691	325 840 535
Retentions and guarantees	5 372 668	4 661 072
Staff leave accrual	8 359 284	8 882 498
Bonus accrual	2 717 307	2 664 889
Other payables	39 704 858	45 367 241
	437 892 808	387 416 235

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Figures in Rand	2017	2016
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15. Payables from exchange transactions (continued)

The movement in staff leave and bonus accrual above are reconciled as follows:

Balance at beginning of year	11 547 387	8 791 847
Contribution to provision	7 384 182	9 915 092
Expenditure incurred	(7 854 978)	(7 159 552)
	11 076 591	11 547 387

16. Consumer deposits

Water and electricity	6 490 924	6 672 149
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17. Revenue

Service charges	148 583 189	158 682 548
Rental of facilities and equipment	1 003 611	806 567
Licences and permits	6 390 006	6 569 415
Other income – (rollup)	30 881 795	46 978 222
Interest received – investment	21 123 736	16 956 616
Property rates	76 825 604	36 775 732
Government grants & subsidies	105 750 077	106 726 243
Fines, Penalties and Forfeits	1 811 750	976 737
	392 369 768	374 472 080

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	148 583 189	158 682 548
Rental of facilities and equipment	1 003 611	806 567
Licences and permits	6 390 006	6 569 415
Other income – (rollup)	30 881 795	46 978 222
Interest received – investment	21 123 736	16 956 616
	207 982 337	229 993 368

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	76 825 604	36 775 732
Transfer revenue		
Government grants & subsidies	105 750 077	106 726 243
Fines, Penalties and Forfeits	1 811 750	976 737
	184 387 431	144 478 712

18. Service charges

Sale of electricity	100 360 927	114 197 271
Sale of water	15 119 072	14 479 468
Sewerage and sanitation charges	17 194 461	15 441 282
Refuse removal	15 908 729	14 564 527
	148 583 189	158 682 548

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Figures in Rand	2017	2016
19. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	986 767	785 434
Rental of equipment	16 844	21 133
	1 003 611	806 567
20. Other revenue		
Other income - (rollup)	30 881 795	46 978 222
21. Other income		
Advertisement fees	39 607	20 595
Commission on sales	1 305 931	1 045 817
Valuation certificates	17 328	11 090
Sundry income	20 433 153	95 841
Sundry creditors written-off	-	33 743 306
Sub-division fees	1 568 575	288 246
Selling of game/hunting packages	-	199 794
Surplus cash	-	29
Sale of plans	25 381	21 496
PPE transfer received	7 089 000	8 257 155
Photocopy charges	1 822	4 515
Insurance claims received	-	1 158 894
Salary deductions commission	244 473	266 192
Bid document fees	44 657	70 132
Roadworthy certificates	33 741	437 145
Reversal of impairment of other receivables	(855 755)	585 047
Availability fees	229 433	194 931
Re-connection fees	21 510	7 826
Business registration fees	13 835	12 983
Building plan fees	195 007	153 951
Cemetery fees	333 755	259 236
Entrance fees	140 342	144 201
	30 881 795	46 978 222
22. Investment revenue		
Interest revenue		
External investments	528 837	401 679
Outstanding receivables	20 584 899	16 554 937
	21 123 736	16 956 616

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Figures in Rand	2017	2016
23. Property rates		
Rates received		
Residential	10 434 094	10 716 794
Commercial	17 983 035	17 993 035
State	48 398 475	8 065 903
	76 825 604	36 775 732
Valuations		
Residential	2 146 290 359	2 144 808 867
Businesses	977 128 035	959 374 975
Industrial	128 243 000	128 243 000
Agricultural	4 224 113 150	4 206 391 150
Government	432 089 000	432 089 000
	7 907 863 544	7 870 906 992

Valuations on land and buildings are performed every four years. The new general valuation (GV) roll came into effect on 1 July 2014. The MPRA objection and appeals process of the GV were finalised during April 2015. Supplementary valuation roll 1 was completed in May 2015 and the MPRA process started, effective only during 2015/2016. Supplementary valuation roll 2 was completed in March 2016 and the MPRA process started, effective only during 2016/2017. Supplementary valuation roll 3 was conducted during 2016/2017.

24. Grants and subsidies paid

Other subsidies		
Community bursaries	3 450	3 600
Disaster relief aid	21 117	-
District Municipality Asset Grant	106 720	304 619
Donations	-	2 624
LED projects	-	22 922
Naledi Animal Shelter	-	60 000
Pauper burials	-	2 233
Refuse bags	12 806	51 861
Transfers to community members	-	1 549 929
	144 093	1 997 788

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Figures in Rand	2017	2016
25. Government grants and subsidies		
Operating grants		
Equitable share	41 201 000	39 619 000
Municipal Infrastructure Grant (MIG)	34 777 947	28 231 189
Finance Management Grant (FMG)	1 700 000	1 600 000
Municipal Systems Improvement Grant (MSIG)	-	930 000
INEP Grant	19 725 000	8 917 196
Expanded Public Works Programme Grant (EPWP)	1 884 000	1 876 000
Department of Sports, Arts and Culture Grant (DSAC)	1 235 347	1 450 000
Dr Ruth S Mompati District Municipality Grant	4 369 364	18 821 456
LG Seta Grant	857 419	195 321
Department of Energy Grant (SANEDI)	-	7 086 081
	105 750 077	106 726 243
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	64 549 077	67 107 243
Unconditional grants received	41 201 000	39 619 000
	105 750 077	106 726 243
Equitable Share		
This grant is utilised to fund the operations of the municipality in accordance with the approved MTREF budget.		
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	18 573 974	981 163
Current-year receipts	41 204 000	45 844 000
Conditions met - transferred to revenue	(34 777 947)	(28 231 189)
	25 000 027	18 573 974
Conditions still to be met - remain liabilities (see note 11).		
To provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. No funds have been withheld.		
Finance Management Grant (FMG)		
Balance unspent at beginning of year	-	-
Current-year receipts	1 700 000	1 600 000
Conditions met - transferred to revenue	(1 700 000)	(1 600 000)
	-	-
Conditions still to be met - remain liabilities (see note 11).		
This grant is used to fund the financial operations of the municipality. No funds have been withheld. Additional text		
Municipal Systems Improvement Grant (MSIG)		
Balance unspent at beginning of year	-	-

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Figures in Rand	2017	2016
25. Government grants and subsidies (continued)		
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	-

Conditions still to be met - remain liabilities (see note 11).

This grant is used to fund training of municipal staff. No funds have been withheld.

INEP Grant

Balance unspent at beginning of year	-	-
Current-year receipts	19 725 000	15 000 000
Net balance claimed against debtor / creditor	-	(6 082 804)
Conditions met - transferred to revenue	(19 725 000)	(8 917 196)
	-	-

Conditions still to be met - remain liabilities (see note 11).

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to Eskom to address the electrification backlog of occupied residential dwelling, the installation on bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.
No funds have been withheld.

Expanded Public Works Programme Grant (EPWP)

Balance unspent at beginning of year	-	-
Current-year receipts	1 884 000	1 876 000
Conditions met - transferred to revenue	(1 884 000)	(1 876 000)
	-	-

Conditions still to be met - remain liabilities (see note 11).

This grant is used to fund labour based capital expansion programs.
No funds have been withheld.

Department of Sports, Arts and Culture Grant (DSAC)

Balance unspent at beginning of year	-	-
Current-year receipts	1 450 000	1 450 000
Conditions met - transferred to revenue	(1 235 347)	(1 450 000)
	214 653	-

Conditions still to be met - remain liabilities (see note 11).

To facilitate mass participation within communities and schools.
No funds have been withheld.

Dr Ruth S Mompoti District Municipality Grant

Balance unspent at beginning of year	-	265 419
Current-year receipts	4 369 364	16 556 037
Conditions met - transferred to revenue	(4 369 364)	(16 821 456)
	-	-

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Figures in Rand	2017	2016
25. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 11).		
The district municipality assists the local municipality with this grant when it is in need. No funds have been withheld.		
LG Seta Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	2 374 026	195 321
Conditions met - transferred to revenue	(1 017 419)	(195 321)
	1 356 607	-

Conditions still to be met - remain liabilities (see note 11).

This grant is used to fund training of community members. No funds have been withheld.

Department of Energy Grant (SANEDI)

Current-year receipts	-	8 000 000
Net balance claimed against debtor / creditor	-	(913 919)
Conditions met - transferred to revenue	-	(7 086 061)
	-	-

Conditions still to be met - remain liabilities (see note 11).

This grant is used to fund the implementation of the municipality's smart electricity meter program. No funds have been withheld.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

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Figures in Rand	2017	2016
25. Employee related costs		
Employee related costs - Salaries and wages	102 533 421	93 379 658
Performance and other bonuses	6 783 741	6 401 443
Employee related costs - Contributions to UIF, pensions and medical	24 576 288	22 529 095
Other employee related costs	4 043 322	6 294 184
Continued medical aid contributions	3 276 864	2 988 946
Travel and motor car allowances	12 117 482	10 948 216
Overtime payments	8 401 733	7 611 536
Long-service awards	1 100 500	994 089
Housing benefits and allowances	1 485 921	1 570 862
	162 319 272	152 718 019
Remuneration of municipal manager		
Annual Remuneration	685 634	1 005 210
Travel Allowance	93 192	211 840
Performance Bonuses	74 554	-
Contributions to UIF, Medical and Pension Funds	95 737	208 921
	949 117	1 425 971
Remuneration of chief finance officer		
Annual Remuneration	1 242 058	828 618
Travel Allowance	527 001	499 148
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	24 774	15 062
	1 793 833	1 342 828
Remuneration of technical services director		
Annual Remuneration	910 170	968 630
Travel Allowance	135 305	192 230
Performance Bonuses	84 565	-
Contributions to UIF, Medical and Pension Funds	109 571	151 181
	1 239 611	1 312 041
Remuneration of corporate services director		
Annual Remuneration	981 662	939 509
Travel Allowance	182 833	182 833
Performance Bonuses	67 652	-
Contributions to UIF, Medical and Pension Funds	198 313	181 491
	1 430 460	1 303 833
Remuneration of community services director		
Annual Remuneration	937 313	841 232
Travel Allowance	171 190	162 142
Performance Bonuses	60 230	-
Contributions to UIF, Medical and Pension Funds	170 231	161 100
	1 338 964	1 164 474

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Figures in Rand	2017	2016
27. Remuneration of councillors		
Major	761 922	743 553
Speaker	606 853	574 009
Executive committee members	1 397 996	1 604 234
Councillors	3 719 683	3 093 421
Councillors' pension, medical aid and SDL contributions	493 621	545 677
	6 980 075	6 560 894
In-kind benefits		
The Mayor is full-time. The Mayor is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle with one driver for official duties.		
Remuneration of individual councillors		
Remuneration of individual councillors are reflected per Note 38		
28. Depreciation and amortisation		
Property, plant and equipment	35 892 345	36 566 731
29. Impairment of assets		
Impairments		
Property, plant and equipment	-	1 014 592
Cash generating assets: Land		
The Naledi old landfill sites are not in use. The increase in value as a result of the additional provision for rehabilitation of landfill sites gives rise to an addition to an asset that is not in use. The recoverable amount / fair value of the asset is R0. The asset can not be disposed, thus the fair value less cost to sell is also R0. The addition is a clear indicator of an impairment and treated as such.		
Non-cash generating assets: Community		
The Vryburg library is under renovation. At year-end, phase 1 of the renovation process was completed, which entailed the dismantling of the library. No construction had taken place at the time. The recoverable amount has been determined as the fair value less cost to sell by completing a extensive valuation through the municipal valuers.		
Trade and other receivables	24 411 453	27 742 362
Increase in the provision for bad debts		
Other receivables from non-exchange revenue	9 184 366	13 308 049
Increase in the provision for bad debts		
	33 595 819	42 065 003
30. Finance costs		
Borrowings	31 813	9 572
Other creditors	-	1 142
Trade creditors	33 144 780	27 063 459
Finance lease liability	19 822	181 383
SARS	-	1 140 486
Actuarial valuations	6 400 911	5 115 812
	39 597 326	33 511 854

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Figures in Rand	2017	2016
31. Bulk purchases		
Electricity	76 280 207	76 402 080
Water	24 373	12 062 388
	76 304 580	88 464 468
32. Contracted services		
Security services	4 880 698	3 741 389
Accounting services	5 485 031	2 605 808
Valuation services	21 000	-
Meter reading services	761 493	388 601
OHS Services	313 552	32 944
Contracted Workers	7 218 393	7 168 692
Contracted Services	76 622	73 440
Smart Meter Management Services	-	2 993 360
Bulk water provision services	-	567 000
Refuse removal services	1 780 465	1 109 098
Sewerage removal services	3 355 541	2 614 678
Professional Fees	-	11 156
Professional Services	1 983 230	2 061 969
	25 876 025	23 367 935

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Figures in Rand	2017	2016
33. General expenses		
Advertising	268 936	259 859
Audit fee	2 770 142	2 908 070
Bank charges	362 456	364 548
Cleaning materials and consumables	63 712	99 814
Employee sports program	375 850	269 972
Employee arbitration cases	354 841	47 168
Legal expenses	1 557 324	407 907
Employee OHS assessments	-	350
SARS penalties	263	1 300 885
Insurance	1 524 247	1 308 638
Community functions	32 250	114 235
Congresses and conferences	28 500	8 000
IT expenses	300	-
Promotion and marketing	216 600	145 938
Workmans compensation	-	663 360
Employee assistance program	45 196	39 364
Employee bursaries	50 450	68 367
Vehicles: Fuel and oil	1 912 584	2 207 816
Machinery: Fuel and oil	90 791	94 253
Postage stamps and telegraphs	638 409	717 437
Printing and stationery	1 120 903	1 692 381
Rental: Vehicles	359 223	432 263
Uniforms and protective clothing	1 763 828	31 317
Software expenses	350 998	792 594
Refreshments and meals	84 612	182 834
Book and publications	-	5 228
Telephone and fax	2 452 701	2 254 223
Training and courses	1 299 720	298 843
Travel and subsistence: Councillors	239 407	150 326
Title deed search fees	5 093	4 940
Small tools and equipment	79 619	165 296
Electricity	1 656 528	1 787 026
Kitchen ware and cutlery	-	645
Community functions / IDP	38 227	13 800
Travel and subsistence: Officials	1 249 868	1 139 089
Vehicles: Licenses	238 943	221 771
Membership fees: Societies	2 961 605	1 665 313
Ward committee stipends	873 650	981 710
Grave markers and consumables	-	2 236
Rental : Equipment	988 794	139 131
Salt Feed and Medicine	-	5 758
Travel and subsistence : Interviews	3 484	5 255
Chemicals	69 747	127 800
Special projects	20 200	60 252
Sundry expenses	126 880	1 192 229
	26 276 661	24 378 038
34. Auditors' remuneration		
Fees	2 770 142	2 908 070

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Figures in Rand

	2017	2016
35. Cash generated from operations		
Deficit	(10 009 340)	(43 368 889)
Adjustments for:		
Depreciation and amortisation	35 149 380	36 121 531
Gain on sale of assets and liabilities	2 960 522	1 387 443
Finance costs - Finance leases	19 822	181 383
Impairment deficit	34 338 785	42 510 203
Movements in provisions	(16 802 582)	7 529 797
Actuarial gains / losses	(10 090 685)	220 137
Unwinding of discounting	12 673	125 839
Changes in working capital:		
Inventories	95 359	(58 547)
Receivables from exchange transactions	(24 411 453)	(27 742 362)
Consumer debtors	1 337 783	758 785
Other receivables from non-exchange transactions	(9 565 249)	(9 846 836)
Payables from exchange transactions	50 476 573	61 827 959
VAT	(7 996 343)	(4 490 823)
Unspent conditional grants and receipts	7 997 313	17 347 392
Consumer deposits	(181 225)	1 025 625
	53 331 333	83 527 637

36. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	At cost	Total
Other receivables from non-exchange transactions	10 393 205	-	10 393 205
Consumer debtors	18 592 982	-	18 592 982
Cash and cash equivalents	-	18 628 259	18 628 259
	28 986 187	18 628 259	47 614 446

Financial liabilities

	At amortised cost	At cost	Total
Other financial liabilities	27 102 913	-	27 102 913
Trade and other payables from exchange transactions	-	435 762 172	435 762 172
	27 102 913	435 762 172	462 865 085

2016

Financial assets

	At amortised cost	At cost	Total
Other receivables from non-exchange transactions	10 012 322	-	10 012 322
Consumer debtors	19 930 765	-	19 930 765
Cash and cash equivalents	-	18 582 745	18 582 745
	29 943 087	18 582 745	48 525 832

Financial liabilities

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Figures in Rand	2017	2016	
Financial Instruments disclosure (continued)			
	At amortised cost	At cost	Total
Other financial liabilities	29 158 304	-	29 158 304
Trade and other payables from exchange transactions	-	387 416 235	387 416 235
	29 158 304	387 416 235	416 574 539
37. Commitments			
Authorised capital expenditure			
Approved and contracted for			
Property, plant and equipment		65 780 354	24 388 247
Approved but not yet contracted for			
Property, plant and equipment		18 537 988	56 288 000
Total capital commitments			
Already contracted for but not provided for		65 780 354	24 388 247
Not yet contracted for and authorised by accounting officer		18 537 988	56 288 000
		84 318 342	80 676 247
Authorised operational expenditure			
Approved and contracted for			
Operational expenditure		46 544 743	23 493 375
Approved but not yet contracted for			
Operational expenditure		-	-
Total operational commitments			
Already contracted for but not provided for		46 544 743	23 493 375
Total commitments			
Total commitments			
Authorised capital expenditure		84 318 342	80 676 247
Authorised operational expenditure		46 544 743	23 493 375
		130 863 085	104 169 622

This committed expenditure relates to plant and equipment and operating expenditure and will be financed from government grants R37 773 599 (2016: R77 806 787) and own resources R46 544 743 (2016: R2 869 459).

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38. Contingencies

Contingent liabilities

2017

NALEDI / KHASU

Khasu Engineering [Pty] Ltd. Issued summons against the Municipality for in total approximately R48 Million plus interest and costs. The matter was defended and a plea filed.

NALEDI LOCAL MUNICIPALITY & MOMPATI & KEBOTLHALE / GALENG & COLANE

Summons was issued by Galeng and Colane against Naledi Local Municipality, Dr Mompoti & Tebogo Kebotlhale. Claim is based on defamation of character. We are of the opinion that they will not proceed with the matter. Total amounts claimed: R1 355 000.00 and R575 000.00.

NALEDI LOCAL MUNICIPALITY & TORO YA AFRICA / KHASU ENGINEERING

In this matter the applicant Khasu Engineering [Pty] Ltd. brought an application against Naledi Local Municipality as well as Toro Ya Africa. The applicant as such was opposed herein. Our opponents did not proceed with the application as they as they are at liberty to proceed and there is nothing for us to win herein, we did not proceed further. We are of opinion that the applicant, to wit Khasu Engineering [Pty] Ltd. is insolvent and cannot pay its debt. It will have no effect on us to proceed and try and finalise this matter and also get a cost order against them. The estimated legal costs are an amount of ±R61,000.00. The possible exposure could not be determined. As the opponents have not as yet issued summons, the amount, timing and outflow is uncertain, but not remote.

NALEDI LOCAL MUNICIPALITY / JAMES VAN COLLER

In this matter James van Coller issued summons against the Municipality. We did defend the matter and also has pleaded. At the present stage we are waiting for a court date from our opponents to proceed herewith. Total amount claimed: R42 828.

NALEDI LOCAL MUNICIPALITY / M & DJ SECURITY SOLUTIONS

Summons was issued in 2009. We did defend the matter herein and filed a special plea based on Section 3 of Act 40 of 2002 as well as a plea on the merits. Since then the correspondents for Johan Kotze Attorneys, to wit Frylnck & Walker, withdrew as attorneys of record. We are of opinion that they will not proceed with any further action. Total amount claimed: R39 645

NALEDI LOCAL MUNICIPALITY / SHATSANE SYSTEMS SOLUTIONS

The Naledi Local Municipality is the liable person herein. First claim liable for the amount of R12 434 627.64 plus interest and cost. Second claim is payment of the amount of R23 997 000.00 with cost and interest, are busy with the collection of same.

NALEDI MUN / D.J. MOINWE

In this matter the Naledi local municipality received a letter of demand on the 30th of September 2015 regarding an accident that happened on the 14th of September 2014 at pick and pay area Vryburg between the plaintiffs' vehicle and the vehicle that is owned by the municipality. Total amount claimed: R35 304.

NALEDI MUN / DITIRA FOURIE

In this matter the Municipality received a Letter of Demand on the 25th of June 2014. Since the 5th of August 2014 we didn't receive any response from the Plaintiffs' attorneys and they also did not proceed to issue Summons. Total amount claimed: R100 000.

NALEDI LOCAL MUNICIPALITY & MTHIMUNE / MOKWENA

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38. Contingencies (continued)

This case relates to a matter between the former Municipal Manager and Director of Naledi Municipality. Total amount claimed: R150 000.

NALEDI LOCAL MUNICIPALITY / KHASU ENGINEERING [PTY] LTD

Matter finalised the plaintiff lost and is appealing the matter, the court ruled that Naledi overpaid him at some point, the attorney for Naledi are of the opinion that this matter will not proceed further since there is another case that emerged were Khasu counter sued the municipality, this applies to all cases for Khasu. Total amount claimed: R150 000.

NALEDI LOCAL MUNICIPALITY / PASTOR MASEKWANE

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / K.P. MOLALE

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / O KGARANE

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / O N NTSHEKANG

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / K I MOKGALAGADI

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / P MOLELE

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / L L MOLEBOGE

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / M E JOSEPH

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

NALEDI LOCAL MUNICIPALITY / T SENYE

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38. Contingencies (continued)

The matter is for town planning, this is in relation to people who build without approval of plan by municipality, the matter is then refer to the municipality's attorney just for the defendant to destroy any construction that was not authorised. therefore not a liability. The amount of the contingent liability could not be estimated.

POST-EMPLOYMENT MEDICAL AID

Due to the difficulty in joining a medical aid fund when nearing retirement, 20% of employees are currently not on a company subsidised medical plan and are likely to join one such medical plan before retirement. This will result in a possible contingent liability for the current year R1 496 282,40 (20% x 213 x R2 927 x 12) of and for the prior year of R1,499,366.40 (20% x 224 x R2,789 x 12).

2016

NALEDI LOCAL MUNICIPALITY / MAXIMUM PROFIT RECOVERY (PTY) LTD

This is a claim brought by Maximum Profit Recovery (Pty) Ltd for VAT recovery services rendered for which there are outstanding claims that the municipality had allegedly not yet paid for. The Naledi Local Municipality is at risk. The Plaintiff issued summons against the Naledi Local Municipality for services rendered. We filed a notice in terms of Rule 30 of an irregular step. We are awaiting a trial date to argue about the Plaintiff's irregular step. The Municipality is at risk for the amount of R897,417.58 plus costs and interest.

NALEDI LOCAL MUNICIPALITY AND TORO YA AFRICA / KHASU ENGINEERING

In this matter the applicant Khasu Engineering (Pty) Ltd. brought an application against Naledi Local Municipality as well as Toro Ya Africa. The applicant as such was opposed herein. Our opponents did not proceed with the application as they as they are at liberty to proceed and there is nothing for us to win herein, we did not proceed further. We are of opinion that the applicant, to wit Khasu Engineering (Pty) Ltd. is insolvent and cannot pay its debt. It will have no effect on us to proceed and try and finalise this matter and also get a cost order against them. The estimated legal costs are an amount of ±R61,000.00. The possible exposure could not be determined. As the opponents have not as yet issued summons, the amount, timing and outflow is uncertain, but not remote.

NALEDI LOCAL MUNICIPALITY / GH GALENG AND KN COLANE

The municipality allegedly laid false charges against the individuals for which GH Galeng and KN Colane had issued a summons on 20 December 2006. The claim relates to the period prior to 30 June 2011. We are of opinion that they will not proceed with the matter and the risk is very low. The Municipality is at risk for the amount of R1,930,000.

POST-EMPLOYMENT MEDICAL AID

Due to the difficulty in joining a medical aid fund when nearing retirement, 20% of employees are currently not on a company subsidised medical plan and are likely to join one such medical plan before retirement. This will result in a possible contingent liability for the current year R1,499,366.40 (20% x 224 x R2,789 x 12) of and for the prior year of R1,548,146.40 (20% x 239 x R2,699 x 12).

Contingent assets

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38. Contingencies (continued)

2017

NO CONTINGENT ASSETS WERE IDENTIFIED.

2016

NALEDI LOCAL MUNICIPALITY / QUICK SPARX

We confirm that we have consulted with Advocate Nico Jagga in the abovementioned matter. We furthermore confirm that we have consulted with SizweNtsalubaGobodo Incorporated Forensic Auditors. In respect of Quick Sparx it was agreed between ourselves and the Forensic Auditors to obtain an asset forfeiture order in the High Court against Quick Sparx. As soon as the order has been obtained and Quick Sparx assets has been seized and frozen, we will assess the value of the assets seized and frozen, before we proceed to issue summons against Quick Sparx for the amount of R600,000. It is our thinking that issuing summons before a forfeiture order is obtained will simply alert the sole member of Quick Sparx and her husband, which may result in them hiding their assets. We were also instructed to recover the amount of R342,000.00 in respect of two transformers that were installed at the Vryburg Abattoir. We have engaged Vryburg Abattoir and they were of the opinion that the replacement of the transformers is the financial responsibility of Naledi Local Municipality. The estimated legal costs are an amount of ±R150,000.00. We expect that this matter will be handled in future and we believe that our claim is not remote.

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39. Related parties		
Relationships		
Accounting Officer	Refer to accounting officer's report note	
Related Government Entities	Dr Ruth S Mompoti District Municipality	
Members of key management	MT Segapo	
	DM Thornhill	
	C Malefo	
	T Appolus	
	L Moinwe	
Related party balances and transactions		
Members of key management		
MT Segapo	-	-
DM Thornhill	-	-
C Malefo	-	-
T Appolus	-	-
L Moinwe	-	-
Amounts included in transactions regarding related parties		
Dr Ruth S Mompoti District Municipality	6 648 025	-

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39. Related parties (continued)

Remuneration of management

Members of the executive committee

2017

Name	Annual remuneration	Travel allowance	Housing allowance	Telephone allowance	Contributions to UIF, medical and pension funds	Total
Mayor	484 181	133 922	101 998	41 820	46 876	808 797
Speaker	372 153	33 832	179 544	21 325	33 874	640 728
Chairperson: Finance and Economic Development	341 559	44 713	131 525	20 868	56 166	594 831
Chairperson: Human Resources, Skills Development and Training	28 426	2 720	10 687	1 739	5 972	49 544
Chairperson: Infrastructure, Basic Services and Social Development	341 115	81 337	119 286	20 868	33 969	596 575
Chairperson: Municipal Public Accounts Committee	170 875	42 364	19 046	20 868	55 827	308 980
Other Councillors	2 168 756	478 012	774 725	298 190	260 937	3 980 620
	3 907 065	816 900	1 336 811	425 678	493 621	6 980 075

2016

Name	Annual remuneration	Travel allowance	Housing allowance	Telephone allowance	Contributions to UIF, medical and pension funds	Total
Mayor	375 185	93 797	232 751	41 820	63 513	807 066
Speaker	355 128	50 098	147 915	20 868	58 842	632 851
Chairperson: Finance and Economic Development	328 983	47 707	142 473	20 868	54 962	594 993
Chairperson: Human Resources, Skills Development and Training	324 384	35 634	142 901	20 868	70 571	594 358
Chairperson: Infrastructure, Basic Services and Social Development	326 428	41 000	152 118	20 868	54 329	594 743
Chairperson: Municipal Public Accounts Committee	134 421	33 605	105 028	20 868	23 067	316 989
Other Councillors	1 506 034	224 421	818 629	250 416	220 393	3 019 893

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		Land and Buildings	Infrastructure	Community	Other	Total
39. Related parties (continued)						
	3 350 563	526 262	1 741 815	396 576	545 677	6 560 893

Chairperson Hester Louwna Pretorius was Chairperson of Finance and Economic Development for the entire year under review as well as Chairperson: Human Resources, Skills Development and Training from August, for the purpose of the note, remuneration has been included as part of Chairperson of Finance and Economic Development.

40. Prior period error

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

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40. Prior period error (continued)

Cash Flow Statement

	2017 Comparative	2016	After Correction of Error
Net cashflow from operating activities	83 527 638	(73 052 898)	10 474 740
Purchase of PPE	(63 015 934)	54 758 779	(8 257 155)
Movement in Landfill Site Assets	(544 174)	-	(544 174)
Repayment of other financial liabilities	(1 490 428)	1 500 000	9 572
Finance lease payments	(1 682 983)	-	(1 682 983)
Notes to the financial statements for cashflow:			-
Depreciation and amortisation	36 566 731	(37 581 324)	(1 014 593)
Gain on sale of assets of assets and liability	1 387 443	(1 572 943)	(185 500)
Finance cost - Leases	181 383	(33 511 854)	(33 330 471)
Impairment deficit	42 065 003	(33 488 575)	8 576 428
Movement in provisions	7 529 797	(7 875 774)	(345 977)
Actuarial gains/losses	220 137	-	220 137
Unwinding of discounting	125 839	-	125 839
Sundry creditors written-off	-	33 743 306	33 743 306
PPE Transfers received	-	8 257 155	8 257 155
Increase in game	-	185 500	185 500
Provision in landfill site	-	544 174	544 174
Interest earned	-	16 956 615	16 956 615
Changes of working capital:			-
Receivables	(27 742 362)	32 729 790	4 987 428
Consumer debtors	758 786	-	758 786
Other receivables from non-exchange	(11 146 279)	(37 204 519)	(48 350 798)
Payables	63 127 403	(61 827 962)	1 299 441
Consumer deposits	1 025 625	(1 025 625)	-
Finance lease liability	-	1 501 601	1 501 601

Statement of financial performance

	2017 Comparative	2016	After Correction of Error
Depreciation and amortisation	(36 566 731)	37 581 324	1 014 593
Impairment loss / reversal of impairments	(42 065 003)	41 050 410	(1 014 593)
Total	(78 631 734)	78 631 734	-

PPE Land - Note 3

A reclassification error corrected between the Land - Cost and Land Accumulated Depreciation amounting to R5 850 183.

PPE Community - Note 3

A reclassification error corrected between the Community - Cost and Community Accumulated Depreciation amounting to R1 210 386.

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41. Risk management

Financial risk management

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising Currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Liquidity risk is mitigated by the fact that consumer debtors have been adequately provided for as impaired.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Current Account (Primary Bank Account) - FNB Acc nr: 54160030382	8 838 986	1 847 782
Current Account (Other Account) - ABSA Acc nr: 4070282707	125 050	214 911
Other short-term investments	9 657 057	16 506 239
Trade and other receivables	28 986 187	29 943 087

These balances represent the maximum exposure to credit risk.

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Price risk

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41. Risk management (continued)

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.

Other Receivables are individually evaluated annually at year-end date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

42. Going concern

Naledi Local Municipality incurred a net loss of R10 009 340 during the year ended 30 June 2017 and, as of that date, the Municipality's current liabilities exceeded its current assets by R408 208 282.

Management believes that the Going Concern assumption is appropriate, however based on the financial liabilities and background we understand that a material uncertainty might exist at year-end.

Management is however confident that the financial situation of the municipality will be turned-around in the next financial year due to the following processes and activities implemented to address the going concern risk:

- A financial turnaround strategy was implemented and approved by Council
- Implementation and adoption of policy and procedure manuals affecting the financial statements of the municipality as well as the internal controls of the municipality
- Agreements were reached with the major current and long-term creditors to pay off long outstanding debt on a monthly basis, resulting from cash flow constraints the municipality is currently in defaulting with these agreements. The municipality is in the process of re-negotiating with the affected suppliers.
- Service providers have been appointed to implement electronic water and electricity meters, which will assist in resolving the speedier collection of consumer debtors
- As part of the financial turnaround and the new adopted credit control policy the municipality is in the process of handing over all debtors older than 90 days and this is assisted by the establishment of an internal debt collection unit
- The municipality in addition embarked in a Solar Plant Project to assist with the electricity debt.

43. Unauthorised expenditure

Balance brought forward	60 158 320	107 105 789
Unauthorised expenditure current year	28 227 765	60 158 320
Condoned or written-off by council	-	(107 105 789)
Recovery of unauthorised expenditure	-	-
	88 386 085	60 158 320

The unauthorised expenditure relates to the 2015/16 financial year regarding over-expenditure on individual operating expenditure votes. The unauthorised expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

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44. Fruitless and wasteful expenditure

Balance brought forward	61 832 324	32 316 980
Fruitless and wasteful expenditure current year	35 127 494	29 515 344
Condoned or written-off by council	-	-
Recovery of fruitless and wasteful expenditure	-	-
	96 959 818	61 832 324

The fruitless and wasteful expenditure mainly relates to penalties and interest on late payments to Eskom and other payables in the 2015/16 financial year. The late payments are due to cashflow challenges being experienced by the municipality. The fruitless and wasteful expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

45. Irregular expenditure

Opening balance	156 898 310	153 735 253
Add: Irregular Expenditure - current year	2 076 713	3 163 057
Less: Amounts condoned or written off by council	-	-
Less: Amounts recoverable (not condoned)	-	-
	158 975 023	156 898 310

Analysis of expenditure awaiting condonation per age classification

Current year	2 076 713	3 163 057
Prior years	156 898 310	153 735 253
The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.		
i) No further material losses or material irregular expenditure had occurred during the financial year.		
ii) No criminal or disciplinary steps were taken as a result of losses from the above.		
iii) No material losses have been recovered or written-off.		
	158 975 023	156 898 310

Details of Irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Minor breach of section 36 SCM regulation not followed	Investigation in progress	2 076 713

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government: SALGA NW

Opening balance	2 196 162	524 692
Council subscriptions	2 961 605	1 660 313
Other services	-	11 157
Amount paid - current year	(300 000)	-
Amount paid - previous years	-	-
	4 857 767	2 196 162

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46. Additional disclosure in terms of Municipal Finance Management Act (continued)**Audit fees**

Opening balance	3 001 835	1 610 316
Current year audit fee	2 769 402	2 142 399
Amount paid - current year	(323 073)	(750 880)
	5 448 164	3 001 835

PAYE and UIF

Opening balance	1 582 080	1 552 120
Current year payroll deductions	21 376 978	19 433 845
Amount paid - current year	(19 701 164)	(17 851 765)
Amount paid - previous years	(1 552 120)	(1 552 120)
	1 705 774	1 582 080

The balance carried forward represents over-payments made to SARS (under-payment in previous year).

Pension and Medical Aid Deductions

Opening balance	4 433 475	3 953 523
Current year payroll deductions and council contributions	34 246 111	31 917 658
Amount paid - current year	(28 416 524)	(27 484 183)
Amount paid - previous years	(4 433 475)	(3 953 523)
	5 829 587	4 433 475

The balance carried forward represents over-payments made to Pension and Medical Aids (under-payment in previous year).

VAT

VAT receivable	32 670 327	24 673 984
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

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46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. J.A. Adonis	371	-	371
Cllr. B.P. Bareng	647	-	647
Cllr. J.G. Brand	2 329	-	2 329
Cllr. L. Coetzee	4 044	94	4 138
Cllr. A. Diedericks	5 708	-	5 708
Cllr. C.J. Groep	642	-	642
Cllr. O.A. Ketela	1 708	59 130	60 838
Cllr. M.J. Mathiba	1 133	1 980	3 113
Cllr. J. Mathiba	2 729	2 585	5 314
Cllr. M.A. McCarthy	1 981	2 138	4 119
Cllr. S.T. Modise	1 852	2 882	4 734
Cllr. D.T. Mogale	1 708	7 463	9 171
Cllr. P.K. Moloi	1 708	2 220	3 928
Cllr. E.K. Moroka	1 708	4 465	6 173
Cllr. D. Motobo	1 708	39 957	41 665
Cllr. M. Mustafa	2 092	800	2 892
Cllr. M.A. Nchochoba	1 708	42 272	43 980
Cllr. H/K.L. Philander	1 708	75 900	77 608
Cllr. M.C. Pretorius	1 292	1 683	2 975
Cllr. E.G. Ramorogadi	1 708	-	1 708
Cllr. E.P. Renoster	-	-	-
Cllr. M.L. Thekiso	1 999	3 651	5 650
	40 483	247 220	287 703

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. S.T. Modise	101	319	420
Cllr. N.G. Mathiba	-	-	-
Cllr. C.J. Groep	-	-	-
Cllr. E.K. Moroka	803	-	803
Cllr. H.L. Pretorius	2 131	-	2 131
Cllr. K.K. Kgajane	1 196	46 290	47 486
Cllr. D.P. Matobo	1 196	33 447	34 643
Cllr. J.A. Adonis	1 906	-	1 906
Cllr. P.K. Moloi	-	-	-
Cllr. A.N. Bareng	2 001	8 289	10 290
Cllr. G.A. Coetzee	3 272	11 255	14 527
Cllr. D.T. Mogale	14	26	40
Cllr. S.B. Kgodumo	-	-	-
Cllr. A. Lekgetho	1 659	6 728	8 387
Cllr. M.J. Nchochoba	1 196	35 052	36 248
Cllr. E.G. Ramorogadi	-	1	1
Cllr. E.P. Renoster	1 262	4 177	5 439
Cllr. N.R. Thekiso	-	-	-
	16 737	145 584	162 321

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46. Additional disclosure in terms of Municipal Finance Management Act (continued)

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

Non-compliance due to contravention of the Supply Chain Management Regulations stipulated in Chapter 11 of the MFMA has been disclosed in note 43.

47. Distribution losses

Electricity

Electricity Purchased (MWh)	75 270	91 951
Electricity Sold (MWh)	(81 237)	(84 310)
Total loss Incurred (MWh)	(5 966)	7 641
Average Cost per MWh (R)	1 000	834
Total Loss (R)	(5 966 346)	6 373 649

Water

Water Purchases and pumped (KL)	3 175 770	8 809 425
Water Purchased Loss (KL)	1 968 389	1 714 318
Water Purchased Loss (KL)	1 968 389	2 323 016
Total Loss Incurred (KL)	3 936 778	4 037 334
Average Cost per KL purchased (R)	3	3
Average Cost per KL pumped (R)	1	1
Total Loss (R)	7 934 847	8 135 879

48. Repairs and maintenance

Repairs and maintenance split

2017

	Land and Buildings	Infrastructure	Community	Other	Total
Repairs and Maintenance Expenses					
Repairs and maintenance - Statement of Financial Performance	34 101	1 391 163	138 596	946 541	2 510 401
Grand Total					2 510 401
Total segmental surplus/(deficit)					2 510 401

49. Budget differences

Material differences between budget and actual amounts

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49. Budget differences (continued)

A) Mainly due to the delay in the smart meter project - revenue lower than anticipated. In addition the municipality are challenged by bulk water supply in certain areas in town, this results in a limit on the water charges billed to these consumers. The municipality is embarking on a project to replace water meters.

B) The initial budget was generated on prior experience. The municipality collected additional revenue for licenses and permits.

C) Mainly due to the Vaalharts sundry creditor balance written-off that was not anticipated in the prior year. In addition the poor economic climate also resulted in an increase in the impairment accounted.

D) Mainly resulting from Consumer Debtors not paying outstanding accounts when due. The consumer Debtors increase as a result of the poor economic climate.

E) This resulted from an additional increase in the rate levied to the state as well as the normal property rate increase adjustment.

F) Projects progress as well as the completion of projects resulted in conditions met for the spending of conditional grants and grant revenue that increased the actual revenue recorded.

G) Variation deemed to be in an acceptable range.

I) Rental of facilities and equipment. The initial budget was generated on prior experience. The municipality collected additional revenue for rental of facilities and equipment.

Other income. The increase resulted mainly from a reversal of legal provision made in the prior year that could not be anticipated when preparing the budget.

Bulk purchases. As a result of non payment of suppliers, bulk water supply as part of a function of the District Municipality was taken over by them. This was not anticipated when the budget was prepared.

Contracted services. There was an increase need for contractors to assist the municipality. This is mainly due to capacity issues and vacancies experienced within the municipality. This was not anticipated when the budget was prepared as the municipality planned to fill vacancies that did not materialise.

Repairs and Maintenance. The budget template do not cater for the expense line repairs and maintenance. This is budgeted for on the budget line other materials. Other material include materials procured to perform repairs and maintenance.

General expenditure. The increase in S&T expenses and membership was not anticipated when preparing the budget. This mainly resulted from a political change after the elections.

Other material. The budget template caters for this expense line. Other expenditure is actually recorded under the general expenditure line on the AFS. The under expenditure is mainly a result of financial constraints experienced by the municipality as well as the recording of the line item under the general expenditure classification.

Loss on the disposal of assets and liabilities, actuarial gains and losses, loss on biological assets and gain on the disposal of PPE. The mentioned line items was budgeted for under on the line item gain on the disposal of PPE and is based on prior year information available, the over and under on the individual lines can not be anticipated, as the actual movement is recorded based on valuations mostly done by third parties.